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SME COMPETITIVENESS: AN INTERNATIONALIZATION STRATEGY FOR DOM PEDRO HOTELS

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SME Competitiveness: An Internationalization Strategy for Dom Pedro Hotels

This paper studies the internationalization process of Dom Pedro to South Brazil. The company's strategy is critically assessed and it is argued that a professionalization of corporate strategic planning is needed regarding further internationalization. This finding combined with a regional macro environment and hotel industry scanning helps deriving success factors for an expansion to South Brazil. Building on those factors, the market is analyzed regarding the most favorable hotel location and typology and an implementation plan is proposed. It is concluded that a business hotel in Porto Alegre represents a reasonable investment opportunity, if connected to an improved strategic planning.

Key Words: *SME hotel investment, internationalization strategy, Portuguese hotel chain, South Brazilian hotel industry*

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ADR	Average Daily Rate
CEO	Chief Executive Officer
COO	Chief Operating Officer
FDI	Foreign Direct Investment
FOHB	Fórum de Operadores Hoteleiros do Brasil
GBTA	Global Business Travel Association
GDP	Gross Domestic Product
GOP	Gross Operating Profit
HDI	Human Development Index
ICCA	International Congress and Convention Association
IBGE	Instituto Brasileiro de Geografia e Estatística
KPI	Key Performance Indicator
M-HDI	Human Development Index of Metropolitan Regions
OECD	Organization for Economic Co-Operation and Development
PwC	Pricewaterhouse Coopers
RevPAR	Revenue per available room
SAE	Secretaria de Assuntos Estratégicos do Brasil
SEPLAG	Secretaria de Planejamento, Gestão e Participação Cidadã do Rio Grande do Sul
SME	Small and Medium Enterprises
UN	United Nations
WTTC	World Travel & Tourism Council

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1. Introduction

The hotel industry is often considered as one of the most global in the service sector (Litteljohn, 1997). While large multinational groups are the most visible in the market, more and more SME hotel chains have entered the international stage, while facing different challenges than the big players due to limited firm resources and a lack of requisite managerial knowledge about internationalization (OECD, 2009). One of the key global hospitality trends is the growth of emerging markets: among them the Brazilian hotel market shows favorable future prospects and leaves room for attractive hotel investments. Over the past years, most international hotel groups have focused their investments in emerging markets rather on the luxury sector (Deloitte, 2012), so has the Portuguese hotel group Dom Pedro with its resort hotel Dom Pedro Laguna in Northeast Brazil. However, in the course of this work specifically promising investment opportunities could be unveiled for the Brazilian midlevel hotel category. This paper is a consulting work for Dom Pedro and comprises a research on the South Brazilian hotel industry and the proposal of an implementation plan.

2. The Dom Pedro Hotel Group in Portugal

2.1. Firm Description

Dom Pedro is a Portuguese family-owned hotel chain, comprising currently seven three- to five-star hotel units in Lisbon, the Algarve and on Madeira's Island and one resort hotel[1] in Northeast Brazilian Ceará with all properties being company-owned. Hotel profiles are depicted in **Appendix 1**. Founded by the Italian Pietro Saviotti, the first Dom Pedro hotel was inaugurated on Madeira in 1973. Today the company is managed by a four-headed board comprising owner, CEO, Sales & Marketing Director and COO. Entire strategic decision making is centralized in the management board. Each hotel or region has its own manager whose responsibilities and power are limited to day-to-day operations (**Appendix 2**). All eight properties are addressed to both business and leisure travelers being all

1 Different from normal hotels, resort hotels are no standalone entities but part of self-contained tourist complexes providing recreation, accommodations and social or recreation activities in a single location (Brey, 2011).

equipped with sophisticated meeting facilities and offering varied sports and entertainment supply. The Dom Pedro hotel chain is furthermore popular for attracting celebrity guests and self-organizing or sponsoring several lifestyle and sports events. The group is currently the seventh biggest hotel chain in Portugal with a market share of 1.1% (Deloitte Portugal, 2012).

2.2. Strategy of Dom Pedro

Dom Pedro lacks a structured vision and mission shared by all entities of the group and plans its strategic objectives for a comparably short-term horizon of approximately two years.

Strategic Objectives For the next two years Dom Pedro set the following objectives that are primarily focused on the firm's further expansion to Brazil.

- Reaching a GOP of 10% at Dom Pedro Laguna in Brazil
- Closing management contracts with the different investors of two further hotel properties close to the Aquiraz Riviera resort in Ceará, Brazil
- Increasing the public awareness of Dom Pedro in all touristic regions in Brazil
- Assessing further market opportunities in the Northeast, Southeast and South regions of Brazil as a preparation for further expansion

According to the management, the firm's approach to strategy is on purpose different from large corporations. Instead of long-term planning, Dom Pedro regards its strategy as being driven by market options, mostly arising through personal business contacts. Location and category choices of current portfolio hotels have been therefore reactive to opportunities. This approach should be assessed critically given the firm's almost 40 years of market presence and its further internationalization plans. Other strategy drivers as cost savings e.g. through a centralized reservation system or competitive moves in terms of e.g. responsive price setting have a significantly lower impact on the firm's strategy. While this dominance of market drivers is common among global hotel companies, first due to local adaptation requirements of hotel operations and thus few scale effects and second due to the often difficult identification of competitors, a long-term strategic planning is inevitable (Whitla ed al., 2007).

Value Chain An analysis of Dom Pedro's value chain activities would help to identify sources of cost and revenue within the company and indicate which core activities the company performs better or with lower costs than its competitors. However, Dom Pedro decided to only provide the information that its room business (service provision) is its most profitable one, while the additional offer as bar, restaurant, spa and sports facilities are rather supporting activities allowing no profits. The firm moreover declared to having reached greatest profit margins of 35-40% in its Algarve and Madeira properties, while Dom Pedro Palace in Lisbon has faced decreased margins within the last years (below 25% in 2011). Despite this lack of internal information, it will be further attempted to comprehend Dom Pedro's core activities by an external industry scanning in the next subchapter.

2.3. Hotel Industry in Portugal

It is paramount to regard Dom Pedro in the context of the Portuguese hotel sector in specific. The company's business is influenced by several industry players, including distribution channel members, commercial partners, tourism associations, suppliers, competitors and marketers. Relationships among Dom Pedro and all those players are pictured in an **industry map** in **Appendix 3**.

An industry analysis according to **Porter** (1996) helps to comprehend the forces which affect the industry's potential profitability. Analyzing these forces is important to derive resources needed by Dom Pedro to create more value than its competitors and maintain a competitive advantage. Portugal is divided into seven touristic regions with the Algarve and Lisbon standing out in terms of touristic demand and lodging capacity (**Appendix 4**). The market is dominated by independent hotels (36.7%) and small-sized hotel chains: the ten largest hotel chains amount to just 21.1% of total accommodation capacity (**Appendix 5**). Rivalry among the hotels is fierce due to a stagnating industry caused by the Portuguese economic crisis and a lack of financing (Deloitte, 2012). By reviewing internal and external (booking.com) customer satisfaction surveys, it can be derived which practices Dom Pedro is strong at and where it has to improve (**Appendix 6**). The analysis demonstrates that Dom Pedro's hotels on average lose points regarding aspects of service quality (services and staff) and facility quality (comfort). According to the company, Dom Pedro Palace' main competitors in Lisbon are Sheraton, Corinthia, Tiara, Tivoli and Altis, and it is important to compare customer survey results of Dom Pedro Palace with those firms (**Appendix 7**): While Dom Pedro Palace does not score badly on average, especially Tiara and Corinthia score better in services and value for money ratio. Sheraton, Tivoli and Altis demonstrate the same weaknesses as Dom Pedro Palace. Dom Pedro Palace scores higher on the dimensions cleanliness, comfort and staff but cannot exceed its competitors. It is moreover useful to benchmark those activity performances to industry best practices to reveal sources of further value creation by professionalizing and optimizing management practices (**Appendix 8**). The Portuguese hotel industry is furthermore driven by the power of customers due to an almost transparent market, favored by the internet and bargaining power of distribution channel members. However, Dom Pedro can outweigh the power of distribution channel members to a great extent. The hotel group specifically established a strong and interdependent network of distribution channels and commercial partners by investing in personal and respectful relationship with tour operators, travel agencies and further industry players like TAP Airlines. Applying the **VRIO** framework, this network is highly valuable to Dom Pedro since its partners are the vehicle to sell its hotels to customers. It is moreover rare and not easy to copy and hence a competitive advantage for Dom Pedro. A distinctive five forces analysis is presented in **Appendix 9**.

2.4. SWOT Analysis and Competitive Advantage

The findings from above are translated into a SWOT Analysis (**Figure 1**).

Figure 1: SWOT Analysis for the Dom Pedro Hotel Group

STRENGTHS	WEAKNESSES
• Strong distribution channel and commercial partner network • High flexibility due to central decision making • High brand awareness due to strong marketing strategy (own events, sponsorships, advertising, celebrities etc.)	• Lack of strategy (mission, vision, long-run objectives) • Low professionalism in practices • Quality of services (reception, rooms, catering, other) and comfort of hotels • Not always friendly and effective staff • Many customers do not see prices as justified

OPPORTUNITIES	THREATS
• Establishment of professional management practices (HRM, service quality, IT, pricing etc.) by benchmarking with best practice companies • Further expansion to fast growing Brazilian market	• Loss of competitiveness, if practices are not professionalized • Unprofitable decision making due to poor strategic planning • Decrease of profit margins in Portugal due to stagnating hotel industry

Source: Own research based on primary and secondary data

The previous analysis has revealed that Dom Pedro lacks a long-term strategic planning and professional internal practices. Nonetheless the company could gain a strong competitive position in the market and achieve GOPs up to 40% with its hotels in the Algarve and on Madeira. As a reason for this performance it could be exposed one competitive advantage:

Strong distribution channel network As discussed, Dom Pedro succeeds in outweighing the bargaining power of distribution channel members by its strong networking abilities based on mutual dependencies and respect. Especially Sales & Marketing Director Pedro Ribeiro has traveled extensively to build up personal contacts within Portugal and Brazil as well as in countries of customer origin which are besides Brazil especially Spain and France (**Appendix 10**). Dom Pedro organizes several events and get-togethers with channel partners and invests in promotional partnerships, e.g. with TAP Airlines: TAP sponsors regular fam trips[2] to all of its ca 50 offices throughout Europe to visit Dom Pedro facilities and get familiar with the chain.

Dom Pedro shows a good overall performance and benefits from existent weaknesses of domestic competitors and the still quite informally comprehensible management of its relatively few hotel entities. However, in regard of further internationalization plans there is an urgent need of professional strategic planning and the optimization of management practices.

[2] Fam (Familiarization) trips are free or low-cost trips or tours offered to travel agents by a supplier to familiarize the agents with their destination and services (Travel industry dictionary, 2012)

3. Internationalization Process

3.1. Definition of Internationalization Objectives

Dom Pedro faces a stagnating market and decreasing margins in its home country Portugal. For this reason the firm currently emphasizes a further international expansion rather than a higher penetration of the Portuguese market. International strategic objectives are focused on Brazil instead of considering expansion to further countries, since the Brazilian market still reveals great growth opportunities in hotel supply, especially outside of the main cities (Jones Lang LaSalle, 2012). While the management has already a good general understanding of the Brazilian hotel sector, it declares to lack sufficient and distinct market knowledge about the country's regions apart from the Northeast. Within the course of qualitative interviews it was learned that Dom Pedro regards São Paulo and Rio de Janeiro in the Southeast and cities in the South as especially interesting to analyze. Most national and international hotel chains focus their Brazil investments on the dominant economic hubs São Paulo and Rio while much of the touristic potential in the South still remains unexploited. For this reason, the third chapter of this work comprises an analysis of South Brazil as a possible destination for further expansion of Dom Pedro in Brazil as well as the proposal of an implementation plan.

3.2. Dom Pedro's Process of Internationalization to Brazil

Initially it is important to comprehend the reasons behind Dom Pedro Laguna's success in Cearà (3.2.1). However, since Brazil is huge in size and diversity, each region has to be regarded as a separate market. To take all factors into account that might influence the firm when doing business in South Brazil, varied analyses are performed hereinafter. First, it will be constructed a profile of the region's macro environment referring to the PESTEL method (3.2.2.1). In a second step it is critical to gain a profound insight into the hotel industry of South Brazil which is conducted on the base of secondary research and information gathered from interviews with Dom Pedro (3.2.2.2). Next, this learning and the knowledge about the company's competitive advantage will be combined to derive distinct factors of success for two alternative hotel types in South Brazil (3.2.3) and following optional modes of entry will be weighed up (3.2.4). Hereinafter, the market will be studied regarding each of the two alternatives and the most attractive locations for Dom Pedro are derived (3.2.5). Finally, an implementation plan for the more promising alternative is suggested (3.2.6).

3.2.1. Status Quo: Dom Pedro Laguna in Brazil

As previously mentioned Dom Pedro Laguna in Ceará in Northeast Brazil, which started operations in December 2010, has been the first and only step on the international stage for Dom Pedro. The five-star hotel is the flagship of Brazil's largest world class eco-resort Aquiraz Riviera and additionally the only Brazilian member of the rating association "Great Hotels of the World" (Great Hotels of the World, 2012). The decision to enter Brazil with a five-star luxury property was taken due to prestige reasons[3]. A customer satisfaction review of Dom Pedro Laguna and a comparison with beach resorts of competitive chains in Brazil demonstrates that the hotel lacks behind in services and comfort as could be already revealed for the Portuguese properties (**Appendix 11**). However, Dom Pedro could use its strong networking abilities for its market entry to Brazil: Sales & Marketing Director Pedro Ribeiro built a strong industry network and highest awareness throughout Brazil already years before the inauguration of Dom Pedro Laguna in 2010.

3.2.2. Regional Profile of South Brazil

3.2.2.1. Macro Environment

South Brazil is one of the five Brazilian regions besides North, Northeast, West Central and Southeast Brazil and comprises three of the country's 27 states: Paraná, Santa Catarina and Rio Grande do Sul. The political climate is considered as stable nowadays and doing business in Brazil has become increasingly attractive for varied foreign real estate investors including the hospitality industry. Despite this development, the national legal system is still known for being highly bureaucratic and regulatory,

[3] Information from interview with Dom Pedro Hotels

imposing high and complicated taxes and restrictive labor laws. The World Bank currently ranks Brazil just 128th out of 183 countries regarding ease of doing business. Still, it can be observed differences among states. Ranking sixth and ninth, the Southern states Rio Grande do Sul and Santa Catarina perform comparably well regarding ease of doing business, while Paraná is not listed (The World Bank, 2006). **Appendix 12** shows the state rankings regarding all measured "ease of doing business" components.

Brazil is a large economy and currently number six in the world with a GDP of US$2.477 trillion (R$4.14 trillion) in 2011 (IBGE, 2012). The South region is concerning economy and FDI inflow the second strongest after the dominant Southeast (Hornberger, 2011). Most recent figures (IBGE, 2009) rank Rio Grande do Sul (6.66%) and Paraná (5.87%) fourth and fifth and Santa Catarina (4.01%) eighth of all Brazilian states regarding their contribution to national GDP (which was R$3.14 trillion in 2009). GDP per capita in South Brazil is clearly above national average and especially high in Santa Catarina (IBGE, 2012). The strong economy of the South is driven by its vast amount of natural resources including bauxite (used for aluminum production), coal, diamonds and iron which have the strength to be the motor of a powerful regional industry in the long-term. Dominant economic centers are the two regions around the capital cities Porto Alegre in Rio Grande do Sul and Curitiba in Paraná with 2009 GDPs of R$37.8 billion (17.5% of state GDP) and R$45.8 billion (24.5% of state GDP) respectively. Most enterprises are settled and most jobs created here. In Rio Grande do Sul the vast majority of business takes place on the industrial axis Porto Alegre-Caxias do Sul and recently Porto Alegre-Santa Cruz do Sul where the most varied industry of South Brazil is located, among them steel, shipbuilding, automotive, furniture and a rising technology industry for electronic products. The service sector of Rio Grande do Sul is highly concentrated in the municipality of Porto Alegre (SEPLAG, 2011). Porto Alegre is moreover strategically located in the center of the Mercosur member countries Argentina, Brazil, Paraguay and Uruguay and can profit from international economic relations that have been gained in depth through the alliance (Deutsch-Brasilianische Industrie- und Handelskammer Porto Alegre, 2012). While Paraná is known for having one of the worldwide most modern and dynamic agriculture systems, Curitiba relies especially on its automobile industry, industrial machinery and food processing (OEDC, 2010). The Metropolitan region of Curitiba provides good conditions for qualified technical labor, thus responding to the rising demand of the production sector. Santa Catarina is considered being Brazil's textile center, but in contrast to the other two states economic power is spread among several cities like Joinville, Itajai and Florianópolis (Earnst & Young, 2012).

All South Brazilian states are among the national Top Four with the highest HDI measuring life expectancy, literacy, education and standards of living (UN, 2011). As a consequence, the region has attracted skilled workforce and the capital cities reveal some of the country's lowest unemployment rates (PwC, 2011). This favorable economic constitution and a positive long-term trend of the industry and service sector can be assessed as a good indicator for a sustainable attractiveness of the lodging market. Brazil emerged strengthened out of the world financial crisis, especially fostered by a strong new middle class which amounts to 52% of the total population today. In the South region this share is even 60%, while further 19% belong to a high income class (SAE, 2009). Besides that, the South is much less affected by infrastructural problems which are especially present in the North and Northeast regions in view of the upcoming mega events FIFA World Cup 2014 and Olympics 2016. In fact, South Brazil is characterized by a modern regional infrastructure. Growth is moreover fostered by the national Growth Acceleration Plan (PAC) of 2007, stipulating terms of tax incentives, simplifications of regulatory processes and additional heavy infrastructure investments and hence significantly increasing the attractiveness for hotel investors (Earnst & Young, 2012).

The Brazilian population is very young compared to developed countries' age structures with a median national age of just 29.6 years and reveals a great ethnic diversity. South Brazil exhibits a significant

European influence due to the European colonization of the 18th, 19th and 20th century. While national expenditures on health and education still rank poorly in global comparison, regional differences between the wealthier Southeast and South and the poorer Northeast and North are dramatic in terms of access to medical treatment and educational institutions (Ministério da Saúde, 2008). The climate in the South is mostly subtropical and the mildest of the country. South Brazil furthermore offers some of the country's most beautiful scenic attractions and cultural heritages (Ministério do Turismo, 2012).

3.2.2.2. Hotel Industry in South Brazil

The Brazilian hotel industry has been historically driven by independent hotels (72.9% of total room supply), while this number is even higher (around 83.5%) in the South region, having led to a lack of international quality and operation standards (Jones Lang LaSalle Hotels, 2012). Only recently, in September 2012, the Brazilian Ministry of Tourism introduced new evaluation criteria for the use of the official international star ranking for the lodging sector. In this way, the Brazilian hospitality industry pursues an increase in competitiveness vis-à-vis global tourism leaders like France, Spain or Germany (Portal Brasil, 2012). The hotel industry is highly concentrated in the major business hubs São Paulo and Rio de Janeiro. Just five international hotel companies are present in the three Southern states: Accor (18 hotels) is the dominant player, followed by Atlantica (8) and Golden Tulip (5) (booking.com, 2012). However, considering that Accor and Atlantica operate nationwide 130 and 75 hotels respectively (Jones Lang LaSalle, 2012), these numbers seem quite small. Most active Brazilian chains in the South are Hotéis Slaviero (14 hotels), Harbor (10) and Master Hotéis (9). **Appendix 13** shows a ranking of all international and national hotel firms present in South Brazil. Going along with the global industry trend, most of the hotel chains in Brazil do not own properties but manage them for external investors on the base of management contracts[4]. Though Brazil's hotel industry is comparably still small (e.g. less than 5% of supply in the United States), many of the country's biggest cities suffer

[4] Information from interview with Dom Pedro Hotels

under an oversupply of expensive condo hotels[5] while the demand for quality midlevel hotels still exceeds supply. Due to these circumstances Brazil has had among the worldwide lowest occupancy rates in the past decade (Canteras, 2009). Occupancy has been recovering recently, having shown a national growth rate of 2.2% in 2011 (Jones Lang LaSalle, 2012). Hotels in the South region had a slightly below national average occupancy rate of 67.9% in 2011, while the occupancy growth rate (4.3%) was highest among all regions. Brazil experienced moreover double-digit growth rates in ADR and RevPAR. Growth rates in the South region were here also above average with a 16.6% increase in ADR and 21.6% in RevPAR (**Appendix 14**). The numbers demonstrate that South Brazil's hotel sector is becoming indeed a highly attractive market for investment. Regarding share of hotel categories, it can be observed similar structures in Florianópolis and Porto Alegre, both being dominated by midscale hotels (65% and 62%) while Curitiba shows almost even shares of the economic (36%), midscale (35%) and luxury (29%) segments (FOHB, 2011) (**Appendix 15**). In regard of the World Cup 2014, it has been invested heavily in the hotel infrastructure of the host cities, concerning Porto Alegre as the only host city in South Brazil. It is expected that those investments will increase the visibility and destination attractiveness of the metropolitan region of Porto Alegre in the long-term (PwC, 2011). An obstacle for hotel investors in Brazil is a prevalent lack of financing, since typical long-term project financing based on low interest rates as known in the U.S. or Europe hardly exists. Hotel operators furthermore face rigid labor laws and comparably low educational standards making it tough to source management talents and qualified bilingual workforce (Earnst & Young, 2012). A SWOT analysis of the South Brazilian hotel industry is plotted in **Figure 2**.

Figure 2: SWOT Analysis for the hotel industry in South Brazil

STRENGTHS	WEAKNESSES
• Strong regional economy and infrastructure (roads, airports, business)	• Lack of financing • Bureaucratic procedures when starting a

[5] Condo hotels are typically high-rise luxury properties in outstanding locations where several investors found a capital pool to finance the project (Condo Hotel Center, 2012)

• Demand > Supply (for midscale products) • Strategic location in center of Mercosur (especially Porto Alegre) • Relative closeness to economic super hubs São Paulo, Rio and Buenos Aires	business, while better than national average • Lack of skilled labor force, although smaller problem than in Northeast and North • Strong currency has made Brazil an expensive travel destination
OPPORTUNITIES	**THREATS**
• Product for underserved midscale market • Advantage of Dom Pedro due to Portuguese language and closeness of culture • Specific World Cup investments fosters destination attractiveness (Porto Alegre) • Visibility + image gain due to World Cup	• Fast rising competition due to heavy hotel investments before the World Cup

Source: Own research based on primary and secondary data

3.2.3. Factors of Success for Dom Pedro

The findings from the preceding analysis can be translated into success factors for Dom Pedro referring to a **TOWS Analysis** approach. First, it can be presumed that Dom Pedro can use its existing distribution channel and partner network also for an expansion to South Brazil. Second, the South region has gained visibility as both a rising business destination and an attractive destination for leisure tourism. In fact, Brazil is on track for rank eight of global business travel spending with growth rates of 9.3% in 2012 and 12.6% in 2013 and it is forecasted that demand will still exceed supply after the World Cup 2014 and the Olympics 2016 (GBTA, 2012). Rising household incomes will moreover continue to fuel leisure demand (WTTC, 2012). Taking this consideration into account, it makes sense to analyze the market regarding two alternatives: It will be examined the alternative to open a hotel mainly targeting business travelers (3.2.5.1) as well as the option to establish another resort hotel primarily addressing leisure travelers (3.2.5.2). Third, it could be derived that Brazil and in specific the South is characterized by a strong and still growing middle class. Study findings indicate that the hospitality supply for these more budget conscious travelers is still underdeveloped while the upscale segment rather faces a risk of over-supply (Deloitte, 2012). While Dom Pedro Laguna functions as the company's flagship in Brazil, a high-quality mid-class hotel would therefore be a logical next move.

The study results moreover underline the importance of comprehending the domestic demand as the current key driver of the hotel business in Brazil. However, the long-term forecast *Tourism Towards 2030* of the World Tourism Organization predicts the world's highest growth rates for Brazil (12% a year) in international inbound tourism (WTTC, 2011). Targeting both domestic and international travelers will therefore drive Dom Pedro's success in Brazil in the long run. Those factors should be taken into account in the following.

3.2.4. Discussion of Entry Mode Alternatives

The choice of an appropriate entry mode is critical because it is related to control and finally to successful performance of Dom Pedro (Blomstermo, Sharma and Sallis, 2005). The hotel sector in specific is a service industry where it is possible to separate capital investment from management skills (Rodríguez, 2002). Entry modes are therefore divided by equity modes (FDI) and non-equity modes (franchise, licensing and management contracts) (Martorell, O., et al, 2012). Some entry modes can be excluded right away. According to Pedro Ribeiro, building a property should be avoided at all costs due to the extremely regulatory policies related to obtaining all mandatory licenses. Furthermore, franchising and licensing agreements do also not qualify for Dom Pedro as a small family-owned hotel chain which requires central managerial control. Hence, the two viable market entry modes for Dom Pedro are either the acquisition of an existing property (equity mode) or the establishment of a management contract with one or more other real estate investors or funds as the hotel owners and the operation of their properties under the Dom Pedro brand (non-equity mode)[6]. Hereinafter, the alternatives will be explained and advantages and disadvantages discussed.

3.2.4.1. Alternative 1: Acquisition of existing property

Choosing the acquisition of an existing property includes the outright ownership of Dom Pedro. The company would be in charge of both operational management and financial matters as operating costs

[6] Information from interview with Dom Pedro Hotels

and debt repayment. An equity mode in the hotel industry is relatively capital intensive and companies usually raise a shareholder loan to finance the project (PwC, 2011).

Advantages Hotel ownership would imply gaining money from operations as well as from real estate business. Income is directly related to the hotel's performance, while a value increase of the real estate means a further source of income. Along with other emerging markets, the Brazilian real estate business has experienced significant property appreciation and high rental growth rates which are expected to continue (Lynn ed al., 2011). Ownership also means significantly higher control over the property quality since Dom Pedro alone would decide over maintenance investments an external owner might refuse.

Disadvantages Dom Pedro might face a challenge in finding a high quality investment-grade property due to a general lack of well-located unencumbered assets (Rushmore, 2002). Moreover, competition for really good assets is mostly intense. If an appropriate property is found, there is still a lack of financing that represents a further obstacle (Earnst & Young, 2012). Being the owner, Dom Pedro would be solely held responsible for any property downside losses. Also, foreign investors are entitled to the same tax treatments as national ones and as learned before the Brazilian tax system is burdensome (PwC, 2011).

If Dom Pedro succeeds in finding an appropriate property and can make a good deal with a hotel owner, the acquisition of the property is a viable entry mode due the favorable long-term development of the Brazilian real estate business.

3.2.4.2. Alternative 2: Management contract

A management contract is an agreement between Dom Pedro as a hotel management company and a hotel property owner. Management skills and capital investment are separated. Dom Pedro would be in charge of managing the hotel and its facilities while receiving a management service fee which is usually determined as a share of total revenue. The hotel owner adopts a passive position regarding operating decisions, but is held responsible for all working capital, operating expenses and debt service (Rushmore, 2002).

Advantages A management contract is a fast and capital-inexpensive way of expansion. Lead time to start hotel operations is limited to a minimum. The management fee is structured in a way that Dom Pedro could sufficiently cover its operating and home office expenses, while gaining small profits. Higher profits are possible through any incentive fee for exceptional hotel performance. Since the property owner is financially responsible, Dom Pedro avoids the risk of downside losses in case of unprofitable operations. Managing companies are moreover excluded from depreciation expenses and any maintenance under the regulated Brazilian tax system. A management fee counts as normal income and is thus subject to income taxes.

Disadvantages Dom Pedro would lose any potential benefits of a real estate business and an increase in property value would go fully to the account of the hotel owner. The company is furthermore quite dependent on the owner. Dom Pedro has no control over any change of hotel ownership which could affect the partnership quality. The financial dependency is even higher since Dom Pedro would have to rely on the degree of creditworthiness of the owner in case the management fee does not cover its operating expenses or maintenance work is needed. Foreclosure or bankruptcy of the owner might lead to contract termination and a related loss of income and possible reputation damages. In fact, Dom Pedro would always face the risk of contract cancellation which is mostly stipulated in advance (Rushmore, 2002).

A management contract is the more viable entry mode, if Dom Pedro cannot find a well-priced property for acquisition in Porto Alegre. In this case the company should pursue drawing up a management contract with the owner of an attractive property with clear agreements about responsibilities and terms of contract cancellation.

3.2.4.3. Conclusion of Entry Mode Decision

The decision about the optimal entry mode to Porto Alegre depends on the fact if Dom Pedro succeeds in finding an attractively priced property for acquisition or not and therefore requires further intensive market research. The following localization analysis and the proposed implementation plan will be applicable for both entry mode options.

3.2.5. Alternative Localization Analyses

Referring to Rushmore (2002), the localization analysis for each hotel investment alternative requires the performance of two major steps. First, a market area promising long-term potential for the hotel investment needs to be identified by an application of criteria serving as indicators for market attractiveness. In the present case the broad regional analysis of from above should be narrowed down to a city level. Second, the product (hotel typology and category) taking most advantage of the local demand and the competitive situation should be derived.

3.2.5.1. Localization of a Business Hotel in South Brazil

Business traffic in South Brazil is highly concentrated in the state capitals Curitiba, Porto Alegre and Florianópolis. In fact, the three South Brazilian capitals are currently the ones growing most in the business travel and business event segment in Brazil (SPPERT, 2012). The localization analysis regarding a business hotel will therefore focus on those three cities by examining four assessment criteria serving as indicators for the attractiveness of the cities for a Dom Pedro investment: (1) The industry and service sector constitution and size as well as their predicted long-term development, (2) the infrastructural conditions determining accessibility, (3) the event hosting profile and (4) the competitive setting in the market.

(1) As a first attractiveness criterion the economic profiles of each Metropolitan region will be considered. The dominance of the economic centers Porto Alegre and Curitiba suggest those cities as the most promising locations for a business hotel. Both cities can rely on strong industries and service

sectors, securing a stable demand in the long run. Porto Alegre is additionally attractive due to its strategic position in the center of Mercosur and doing business in Rio Grande do Sul is comparably easy (rank six of Brazilian states in ease of doing business). (2) Second criterion for the attractiveness of a business hotel location is its accessibility. The presence of an elaborate road network, attractive flight connections and public transportation systems in the cities is therefore essential. National data indicate that domestic business travelers prefer a journey by car (33.6%), followed by airplane (30.1%) and public service vehicle (23.9%) with particularly air travel showing a value high above the average 17.0% (Ministério do Turismo, 2012). In the case of foreign business travelers, even 97.6% arrived by air transport in 2011 (Ministério do Turismo, 2011[7]). Since no data is available for South Brazil in specific, the findings will be taken as valid for the South region. It is therefore assumed that for targeting domestic business travelers the presence of an elaborate road network and flight connections to main Brazilian cities are critical. To address foreign business travelers, the proximity of airports served by attractive international flight connections is a prerequisite. In national comparison South Brazil is characterized by a relatively good national highway and road network and is moreover easily accessible overland from neighboring Mercosur countries Argentina and Uruguay (Estradas.com, 2012). The major airports of the South are located in the three capitals. The one serving most passengers and flights is Salgado Filho International Airport in Porto Alegre, located just seven kilometers from downtown and processing flights from all principal Brazilian airlines plus several Latin American airlines and Dom Pedro's partner airline TAP Portugal which offers an opportunity for mutual promotional support. The airport serves direct or indirect connections to all state capitals, interior cities in the Southern states and the state of São Paulo. TAP offers moreover a direct connection to Europe via Lisbon which is unique for a South Brazilian airport. Second most flights are operated at International Airport Alfonso Pena in Curitiba with just a few international connections to

[7]Calculation of percentage as follows: $\frac{3.808.341\ (air\ travelers)*33.3\%}{1.442.865\ (overland\ travelers)*2.2\%+3.808.341\ (air\ travelers)*33.3\%} = 97.55\%$

Argentina and Uruguay. Hercílio Luz International Airport in Flórianopolis serves significantly less routes and passengers (Infraero, 2011). **Appendix 16** shows figures for the three airports in comparison. (3) Third attractiveness criterion is a city's suitability to organize and host business events in terms of physical and service infrastructure. A study of the ICCA, listing the most important cities by number of international business events, can serve as a good attractiveness indicator since it gives a hint that a city is able to accommodate also large-size events with elaborate service requirements. All three South Brazilian capitals are considered in the ICCA ranking and events draw numerous national and international business travelers to the cities. In national comparison Flórianopolis ranked fifth, Porto Alegre sixth and Curitiba eigth by number of international events in 2011. The cities have established event planning infrastructures that allow hosting all size of congresses and other business events, hence representing fruitful opportunities for business related hotels (ICCA, 2011). (4) Considering the fourth attractiveness measure, the competitive profiles of Porto Alegre, Curitiba and Florianópolis are similar concerning business facilities and star ranking. Five-star hotels are less than 10% in each city, while the three- to four star category covers around 80% of the market (**Appendix 17**). However, as described above, the hotel sector in Curitiba is assessed as being equally shared by luxury, midscale and economic hotels by objective institutions (FOHB, 2011). This could be an indicator for higher quality standards of the hotel industry in Curitiba compared to the other two capitals caused by existing discrepancies in hotel rating standards, meaning that a hotel of a specific star-rating in Curitiba is on average of higher quality than a hotel of the same star-rating in Porto Alegre or Florianópolis. Further, in national comparison all three capitals are rather underserved by international hotel chains. See **Appendix 18** for an overview of the hotel market in each city.

To draw a conclusion on the base of the four applied criteria, Curitiba and Porto Alegre represent the most promising business destinations in South Brazil and attractive opportunities for a business hotel investment. However, the prospect of success can be assessed being highest in Porto Alegre due to three major reasons: First, Porto Alegre is strategically located in the center of Mercosur which will attract sustainable future business. Second, the government will invest a lot in the city's infrastructure and appearance due to the World Cup 2014 which will moreover create a higher national and international visibility. Lastly, the hotel industry seems to be less developed from a quality standpoint and a high quality Dom Pedro business hotel could fill this gap. Building on the findings that Brazil lacks sufficient hotel supply for the rising domestic middle class, a high-quality midlevel hotel (three- to four-star hotel) can be derived as the most promising investment. However, since the hotel would be the company's first property in the South region, a four-star category should be preferred, again due to prestige reasons[8].

3.2.5.2. Localization of a Resort Hotel in South Brazil

While leisure tourism opportunities differ significantly among the three Southern states, for Dom Pedro Hotels a resort location on the beach is a prerequisite. For the sake of this work the localization analysis will therefore be limited to the Santa Catarina coastline around the island of Florianópolis. The following three attractiveness criteria will be examined: (1) the natural beauty and landscape around the property location, (2) the economic constitution of the region and its development in the long run and (3) the respective competitive profile.

(1) Considering the landscape attractiveness, Santa Catarina offers over 500 km seaside, while the coastline approximately 100 km north and south of Florianópolis is said to be the most beautiful, offering countless beaches of all kinds, dunes covered by Atlantic Rainforest, numerous islands, mangroves and lagoons. The city Florianópolis itself is almost completely located on the biggest of the islands comprising 524 km² and offers both a cosmopolitan lifestyle and pure natural beauty. (2) The economic profile of a region can serve as an indicator for sustainable touristic demand. A strong business profile is additionally an attractive location factor since the equipment of a good resort hotel

[8] Information from the interview with Dom Pedro Hotels

always comprises also superior business facilities[9] and a strategic business location would hence raise occupancy rates for the resort hotel. As stated above, the coast cities Florianópolis and Itajaí 94 km north of Florianópolis gain from a strong local economy and are considered as rising business destinations in South Brazil. Greater Florianópolis is the Metropolitan Region with the highest quality of life in Brazil, measured by the M-HDI of the United Nations. Moreover, Florianópolis capital is currently the ninth most visited domestic destination and even the third most sought after destination for international leisure travelers in Brazil (Ministério do Turismo, 2011). (3) As a third criterion, the Santa Catarina coastline has to be scanned based on its competitive profile. To provide a general background, leisure tourism in Brazil has grown due to the strong domestic economy and the rising middle class. Yet, the strong Real has especially fueled international outbound travel which has become affordable for many Brazilians, while inbound travel has been stagnating. This shows that different from the business tourism sector, leisure tourism products have to compete more heavily with international markets. Consequently, the Brazilian leisure tourism has been losing in competitiveness due to an imbalance of price and perceived attractiveness. Highest success potential is therefore predicted for a segment that is satisfying highest attractiveness demand for a reasonable price (**Appendix 19**; Canteras, 2009). Also concerning the domestic Brazilian market, resort hotels compete on a higher level than ordinary hotels, meaning that all resorts of the same category and nature (e.g. beach resorts) in Brazil are potential rivals, while regional location is just important on a second sight[11]. It is critical to understand that resorts can in fact comprise more than one hotel and also properties of different categories. 32 resort hotels in 26 beach resorts are currently being operated in Brazil: 24 hotels are located in the Northeast, four in the Southeast and four in the South, all of them in Santa Catarina (Resorts Brazil, 2012). Most of those hotels are 5-star luxury hotels in high-class resorts, so are the four resort hotels in Santa Catarina (Booking.com, 2012). See **Appendix 20** for an overview of all beach

[9] Information from the interview with Dom Pedro Hotels

resort hotels in Brazil. For Dom Pedro this present competitive situation offers the chance to enter the South Brazilian market with a midlevel and reasonably priced hotel within a high-class resort which differentiates itself through highest international quality standards, hence providing a product on the currently poorly served edges of the dimensions price and perceived attractiveness. For the decision about the resort typology (offer and equipment), the special characteristics of performance measurement in resort hotels have to be taken into account. Most common KPIs in resort hotel management are next to the usual RevPAR, the Double Occupancy Factor (DOF), measuring the average number of guests per room, and the seasonality of the property. A resort hotel ranking high on the KPI seasonality succeeds to offset seasonality effects by adjusting its offer and targeted clientele along with the seasons (Richard and Bacon, 2011). The seasonality aspect is especially crucial for the operation of a resort in South Brazil due to the presence of four seasons. It could be imagined outweighing the seasonal effects by emphasizing attractive inside leisure facilities in the colder months such as spas or beauty and health treatments. Since high-class meeting facilities are a must for each resort hotel, Dom Pedro could moreover adjust its marketing plan in the low season to increasingly target business travelers[10].

The market analysis concerning a resort hotel requires one further step which is a scanning of the market regarding resort real estate projects being currently under construction and offering appropriate investment options in order to avoid extremely long lead times. As seen in the case of Dom Pedro Laguna in Ceará where the completion of Aquiraz Riviera needed around ten years, resorts are long-term planned projects with mostly several participating construction firms selling plots to real estate investors. Those investors built for instance hotels which they either manage themselves or they draw up management contracts with hotel companies. Best source of information about available property for sale are real estate brokers or property search firms that are familiar with the local area and lodging

[10] Information from the interview with Dom Pedro Hotels

industry. However, it can be already gained a rough market overview by using special broker websites (Rushmore, 2002), which was conducted for the sake of this work. Three resort projects in the regarded area could be localized: *Quinta dos Ganchos* (35 km north of Florianópolis capital); *Marine Home & Resort* (on the island of Florianópolis) and *Brava Home Resort* (4km from Balneário Camporiú and 5 km from Itajai). Detailed resort profiles and an assessment of their suitability for an investment of Dom Pedro require further insider information which are subject to a charge. However, Dom Pedro's investment decision would be definitely restricted to a very small number of locations.

3.2.5.3. Decision for Hotel Typology and Category

The localization analysis has delivered supporting arguments for both alternatives. Yet, the alternative to open a business hotel in Porto Alegre seems to be the more promising option. The analysis has revealed very good conditions for such an investment in the city: Demand is rising fast due to the strategic location and booming economy, the infrastructure is already favorable while several further investments are currently in progress and the market offers space for a high quality four-star Dom Pedro Hotel. In contrast, the success of a leisure resort is more insecure: Investment options are restricted due to a limited number of ongoing resort projects which might not be perfectly suitable for Dom Pedro; also competition is more difficult to estimate since it happens on a nationwide level and climate conditions in the South threaten occupancy during low season or require costly adaptations of offer. Consequently, it is proposed that Dom Pedro pursues a market entry to Porto Alegre.

3.2.6. Implementation Plan

A market entry of Dom Pedro to Porto Alegre has to follow a well-defined implementation plan consisting of several consecutive or simultaneous steps. Initially it is imperative to deepen the market research in order to identify the best available site for the hotel investment:

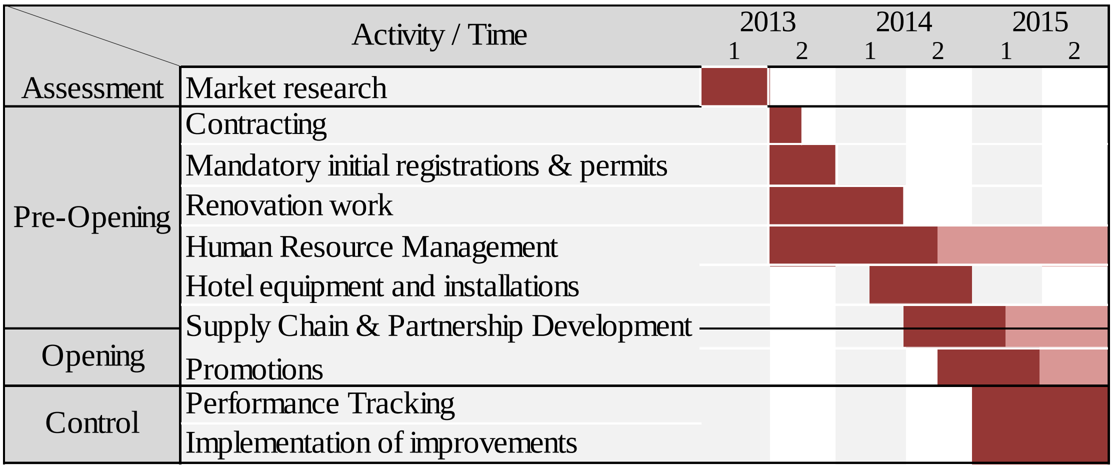
Location Decision Concerning an appropriate site for a business-related hotel, five general location characteristics might be considered: a location close to airports, near highways, in downtowns, in suburbs with office and industrial areas or near convention centers (Rushmore, 2002). Particularly a property site in Porto Alegre Downtown comprising the city's historical center and the riverfront would allow Dom Pedro to boost occupancy by additionally attracting leisure visitors with a huge cultural and gastronomic variety. Already many hotels are located in this district with a focus on three-star properties but only seven four-star hotels (Booking.com, 2012), hence supporting the favorable opportunity for a four-star Dom Pedro hotel. Another option is the business district Moinhos de Vento about two kilometers east of the historic center which is one of the most exclusive districts in Porto Alegre and still close to downtown, while not exhibiting such a high hotel density (Prefeitura de Porto Alegre, 2012).

As soon as an appropriate site is identified Dom Pedro should start negotiations with the property owner and based on the offer decide which entry mode is more attractive by carefully calculating all expenses (initial investment and operational costs) and the possible return on investment. Following the **4M's framework**, a complete implementation plan comprises moreover a profound staff planning (men), budget planning (money), a distinct schedule for all implementation components (minute) and a clear definition of instruments to control the market entry success (memo).

Opening Process Once Dom Pedro and the hotel owner came to an agreement, all mandatory legal actions should be taken to register the property at the state chamber of commerce, the tax department, the ministry of tourism and other municipal authorities. These procedures require on average 81 days in Rio Grande do Sul. Simultaneously it should be started delegating all needed construction work in the hotel and planning staff requirements (*men*). Staff planning is for Dom Pedro as a service company of particular importance and implies the specification of vacancy profiles (management, service staff, sales representative) and the requirements on potential candidates. As customer survey results have shown, Dom Pedro has to especially catch up on service quality and should therefore conform to best practices of other hotels, e.g. to Ritz Carlton by introducing empirically scored structured interviews and one-to-one communications with members of the management board to select the right people who share Dom Pedro's values. Finding skilled workforce can be expected to be easier in South Brazil compared to the Northeast due to comparably better educational standards, while service and language education and professionalism of applicants will be still poor compared to European standards. Intensive and well organized training is therefore vital. Following best practice approaches, employees from other Dom Pedro Hotels should be nominated to train the new staff in Porto Alegre along clearly defined service guidelines, while some of them (one per department) are chosen to support the Porto Alegre team long-termed as expatriates. Training for those staff with customer contact should be supplemented with basic courses in English so that the personnel will be able to communicate with international guests, backed up by the language abilities of expatriates. As soon as renovation work is finished, it can be begun with hotel equipment and decoration as well as all needed installations following official safety requirements. Once the date of inauguration is conceivable, Dom Pedro should invest time and money in marketing the hotel to distribution channel members by one-to-one presentations and events for existing partners (tour operators, travel agencies, TAP Airlines) especially in São Paulo, where 80% of the country's tour operators and travel agencies are located[11], in other major Brazilian cities and countries of customer origin. Further, a new sales representative should be employed who is solely responsible for approaching local travel agencies and companies in South Brazil. The weeks before inauguration should be accompanied by a marketing campaign including direct mailings to former guests, SEM, Public Relations in local and national press, advertising and optional sponsorships of appropriate lifestyle events. The required budgeting positions (*money*) and a timetable (*minute*) for the implementation plan are depicted in **Appendix 21** and **Figure 3** respectively. Regard also **Appendix 22** for a more detailed time schedule.

[11] Information from the interview with Dom Pedro Hotels

Figure 3: Time Schedule for market entry to Porto Alegre



Source: Own depiction based on primary and secondary research

Measurement of Performance Performance measurement (*memo*) is crucial to control the effectiveness of implemented activities and make adjustments if necessary (**Appendix 23**).

4. Conclusion and Recommendation

The analysis results have demonstrated favorable conditions for a market entry of Dom Pedro Hotels to Porto Alegre. The city provides attractive economic and infrastructural conditions and promising demand prospects in the long run. A four-star Dom Pedro hotel could moreover take advantage of the present lack of high quality midlevel hotels. It could be moreover learned that the company could benefit from its strong network of distribution channels and commercial partners. However, a recommendation to open a business hotel in Porto Alegre is bound to a prerequisite: the further internationalization has to go along with the establishment of a professional corporate strategic planning. It is vital for Dom Pedro to become clear about its corporate vision and mission and to break it down into distinct strategic objectives. Customer survey results indicate that the company so far cannot exceed its competitors through an outstanding operational performance which is traced back to lack of organized management practices. It is suggested to align future policies to best practices in the industry to raise profitability and create competitive advantage.

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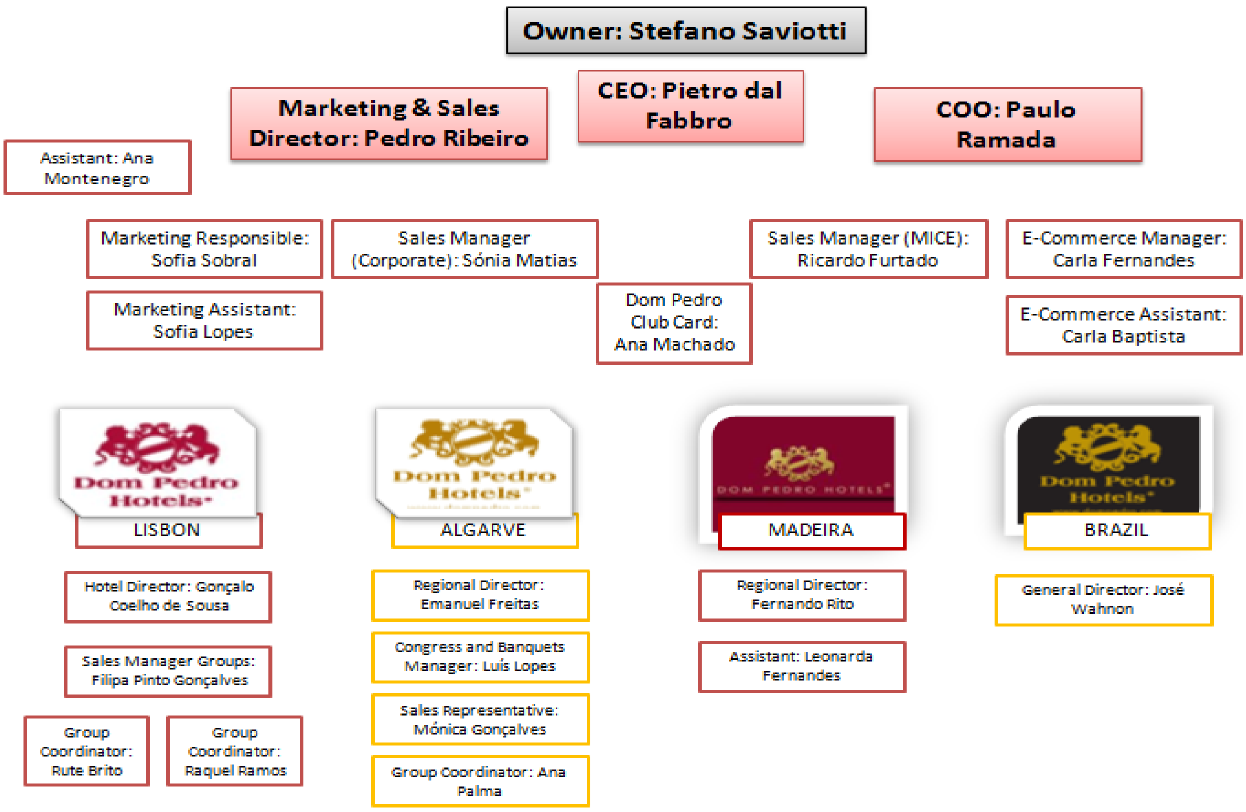
Appendices

Appendix 1: Profiles of Dom Pedro Hotels

Hotel	Cate-gory	Location	Profile
Dom Pedro Palace	5*	Lisbon	• 263 rooms and suites, 420qm Penthouse Suite • SPA • Top business facilities • Known as celebrity hotel • Next to Amoreiras Shopping Center
Dom Pedro Golf Resort (Vilamoura Resort)	5*	Vilamoura, Algarve	• 266 rooms • Varied family holiday offer • 1.750 qm meeting facilities • Offer of Europe's best golf courses
Dom Pedro Marina (Vilamoura Resort)	4*	Vilamoura, Algarve	• 100 rooms, 55 suites (incl. 4 presidential suites) • Beach hotel • Great pool landscape
Dom Pedro Portobelo (Vilamoura Resort)	4*	Vilamoura, Algarve	• Apartments with hotel services • Varied family holiday offer
Dom Pedro Meia Praia Beach Club	3*	Lagos, Algarve	• 77 Apartments • Located at Algarve's major beach • Special golf course discounts
Dom Pedro Baia Club	4*	Madeira	• Quiet location on the beach • Large outdoor seawater swimming pool • Tennis and sports courts, in-house diving center • Reduced entrance fees for Golf Championships for Dom Pedro guests
Dom Pedro Garajau	3*	Madeira	• 272 rooms and suites • Includes a natural reserve • Snorkeling and scuba diving offer • For action-packed holidays
Dom Pedro Laguna (Aquiraz Riviera Resort)	5*	Ceará, Brazil	• 102 deluxe rooms and water villas spread across 15.000 qm lagoon • Integrated in paradise beach landscape • Quietness and total privacy • High-class golf offer

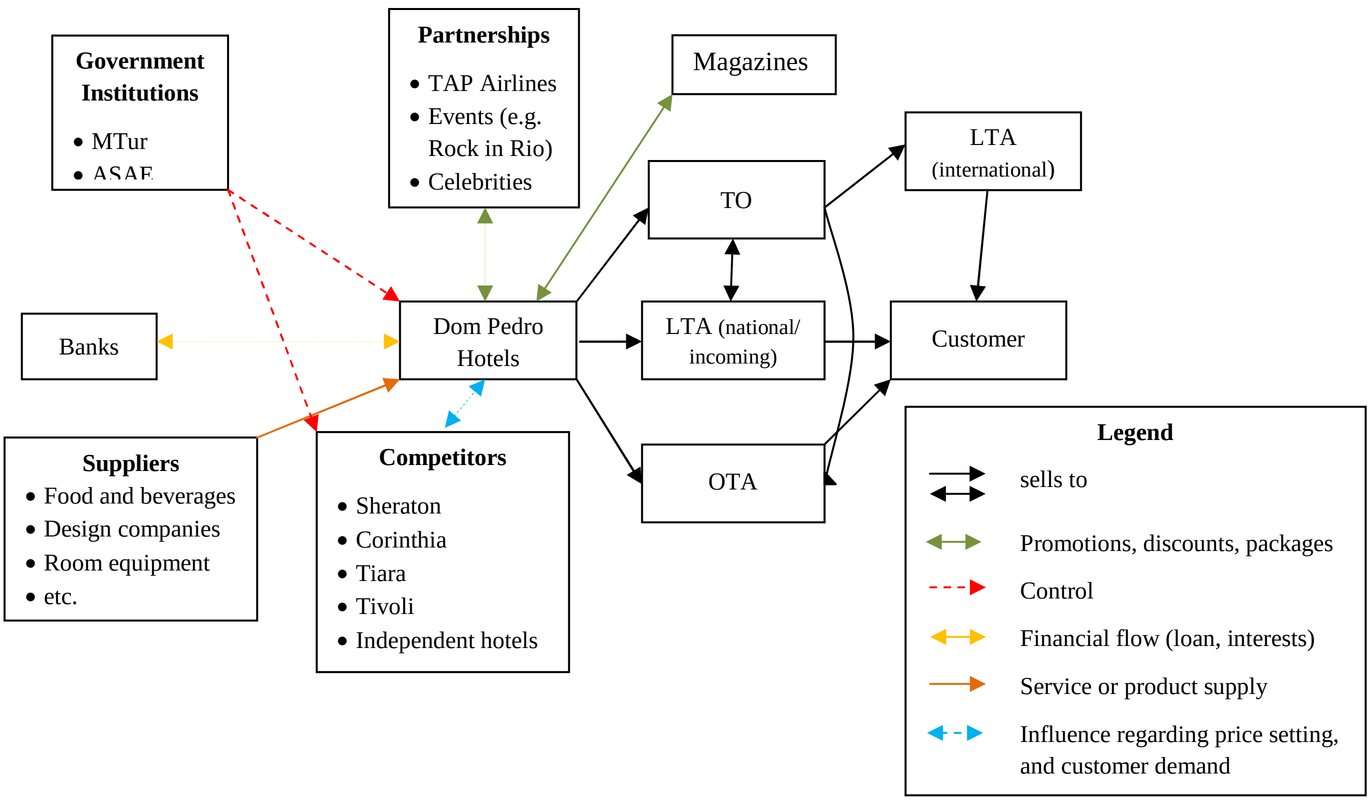
Source: Own depiction on the base of data from Dom Pedro Hotels (2012)

Appendix 2: Organizational Structure of Dom Pedro Hotels



Source: Ambitur Portugal

Appendix 3: Industry Map for Dom Pedro Hotels in Portugal



Source: Own depiction referring to information from interview with Dom Pedro Hotels (2012)

Explanations The industry map above depicts Dom Pedro's distribution channels comprising three types of businesses, namely tour operators (TO), local travel agencies (LTA) and online travel agencies (OTA).

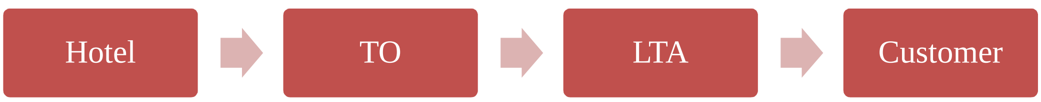
- ***TOs*** purchase and bundle services of diverse tourism companies and sell them as packages to be distributed through local or online travel agencies
- ***LTAs*** purchase packages or single services from tour operators and resell them to customers
- ***OTAs*** challenge the traditional distribution channel and allow customers to customize their package with travel components from diverse suppliers

Especially OTAs have made the business much more diversified. Today they make up for 25.9% of Dom Pedro's business as seen in the table below.

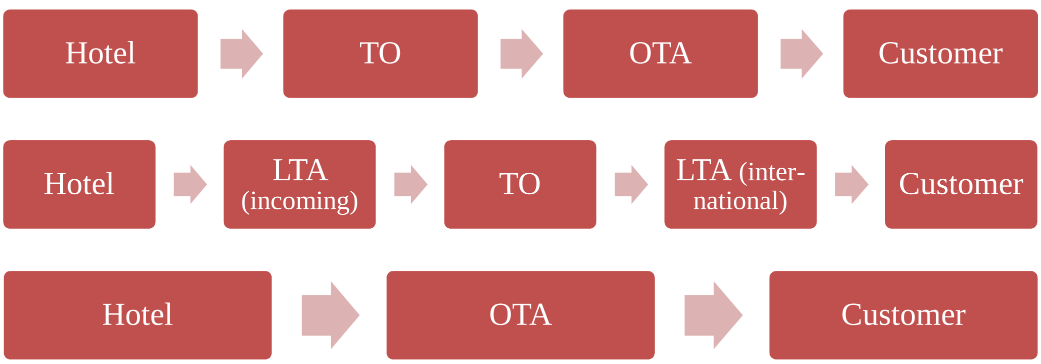
ROOM NIGTHS (2011)	
Segmento	**RN**
Allotments	8.825
Agencias Individuais	300
Agencias Grupo	10.879
Corporate Individuais	3.151
Corporate Grupo	4.130
Talonários	149
Directos	3.442
E-Commerce	11.258
Tripulações	1.366
Total	**43.500**

Source: Dom Pedro Hotels (2011)

The traditional channel design for hotel companies was the following:



Today, more distribution channel designs are possible as seen in three examples below.



Source: Referring to interview with Dom Pedro Hotels (2012)

Dom Pedro's network moreover implies commercial partnerships, e.g. with TAP Airlines and several event companies and magazines. Additionally, the firm's business is supervised by tourism associations of the Portuguese government. Dom Pedro is furthermore related to its suppliers, e.g. for the sake of room equipment, and to banks in terms of loan and interest payment flows. The company also has to be regarded as being in interrelationship with its competitors. Competitive actions regarding price and promotions always have to be observed carefully due to their influence on Dom Pedro's business.

Appendix 4: Capacity of Portuguese lodging sector regarding category and touristic region (2006)

Tipologia de Estabelecimento Hoteleiro	Capacidade de Alojamento – Nº camas (N U T S II), em 2006							
	Norte	Centro	Lisboa	Alentejo	Algarve	Madeira	Açores	PORTUGAL
Total Hotéis	19.306	21.510	35.358	3.411	27.204	14.323	6.311	127.423
Hotéis-Apartamento	1.015	788	2.989	821	19.791	9.219	592	35.215
Pousadas	594	408	140	809	168	42	112	2.273
Aldeamentos Turísticos	120	0	516	213	11.498	0	0	12.347
Apartamentos Turísticos	284	961	559	374	33.278	641	407	36.504
Estalagens	1.431	1.210	691	296	441	1.875	114	6.058
Motéis	606	617	194	20	621	0	0	2.058
Pensões	12.148	11.113	7.539	3.379	4.523	2.557	900	42.159
TOTAL GERAL	35.504	36.607	47.986	9.323	97.524	28.657	8.436	264.037

Source: Associacão Empresial de Portugal (2007)

The Portuguese mainland and islands are divided into seven touristic regions: North, Central, Lisbon, Alentejo, Algarve, Madeira and Azores. Lodgings in Algarve offer the highest amount of total beds (ca 37%), while the capacity of just hotel beds is the highest in Lisbon (ca 28%) (Associacão Empresial de Portugal, 2007).

Appendix 5: Top 10 hotel chains in Portugal regarding capacity (2011)

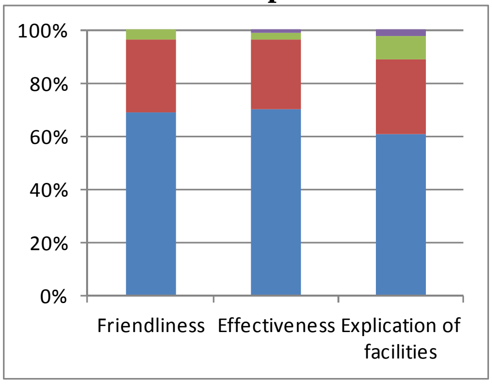
Grupo hoteleiro / Entidade de *management*	Nº Unidades de alojamento[1]
Pestana Hotels & Resorts / Pestana Pousadas	6 483
Vila Galé Hotéis	3 808
Accor Hotels	2 890
Tivoli Hotels & Resorts	2 453
VIP Hotels	2 312
Hoti Hotéis	1 860
Dom Pedro Hotels	1 399
Sana Hotels	1 363
Continental Group	1 288
Starwood Hotels & Resorts	1 284
Outros	93 591

Source: Deloitte Portugal (2012)

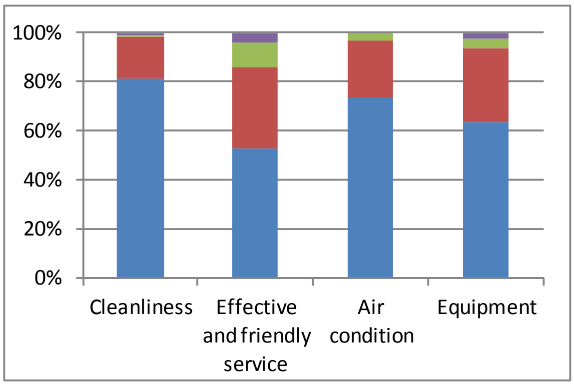
Appendix 6: Tracking of customer satisfaction at Dom Pedro Hotels (2012)

Internal Customer Satisfaction Questionnaire Dom Pedro requests feedback of each customer by distributing questionnaires in the rooms. In the case of Dom Pedro Palace in Lisbon, those questions concern the satisfaction with different aspects of the reception, rooms, breakfast, room service and restaurants, spa facilities and other services. The results of 2011 are presented in the graphs below.

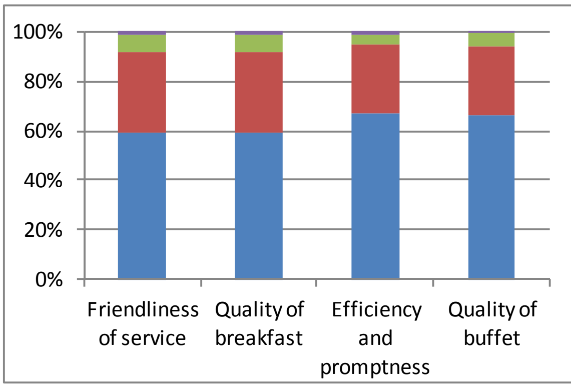
Reception



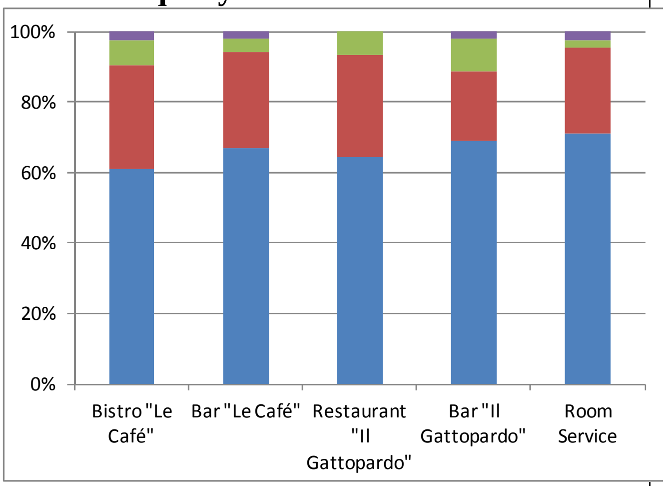
Rooms



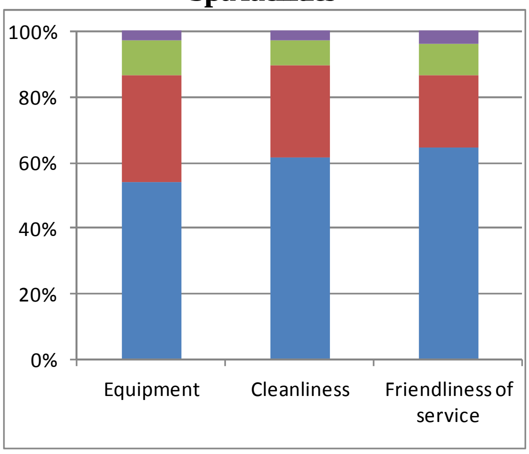
Breakfast



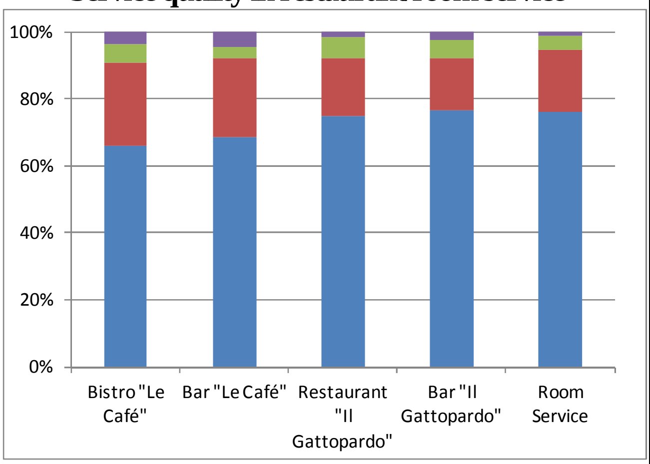
Food quality in restaurant/room service

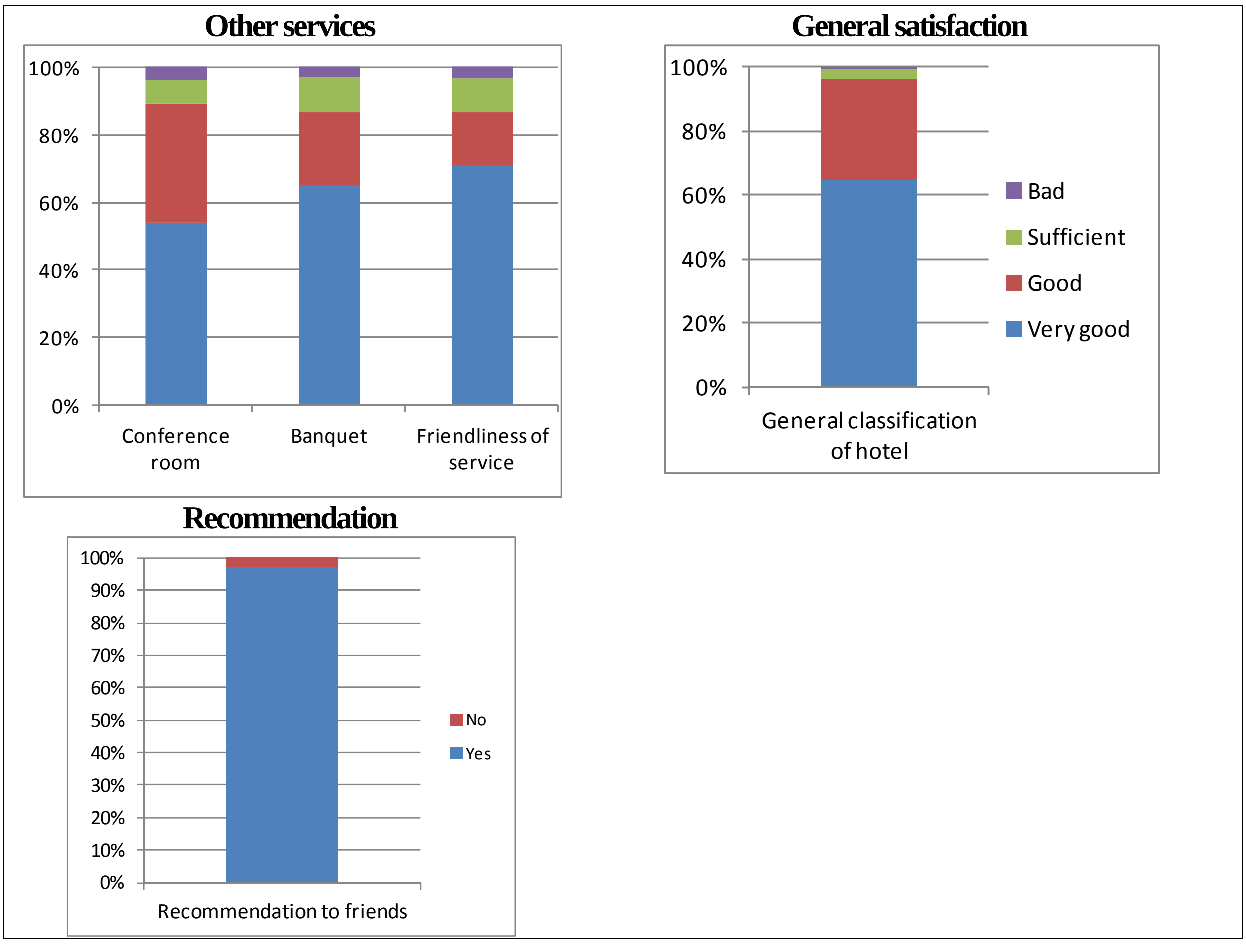


Spa facilities



Service quality in restaurant/room service





Source: Dom Pedro Hotels (2011)

The results are only valid for the hotel Dom Pedro Palace in Lisbon but still they can be seen as an indicator for the firm's activity performance. While all survey items reach above 80% of "very good" and "good" evaluations, it can be observed significant differences among them.

- ***Reception*** Customers especially feel that the hotel's facilities are not sufficiently explained to them which could be the spa area, restaurant etc. Also friendliness and effectiveness is just evaluated as "very good" by 65-70% of customers.
- ***Rooms*** It becomes clear that many customers are not satisfied with the effectiveness and friendliness of the room service. Dom Pedro also loses points in room equipment.
- ***Catering (Breakfast/Restaurant/Bars)*** It can be derived that customers are on average less satisfied with the quality than with the service at the catering facilities.
- ***Spa facilities*** Customers show also relatively low satisfaction with the Dom Pedro's spa facilities.

Reviewing customer comments on booking.com, it becomes clear that many customers of cheaper rooms did not know that they have to pay an extra fee to use the facilities which could be a source of dissatisfaction.

- ***Other services*** Guests who used the conference rooms and those who took part in a banquet also show below average grade of satisfaction.

Only 64% classify Dom Pedro Palace as being "very good" in general. Even if most customers are satisfied or very satisfied, numbers show clearly room for improvement regarding both service and quality of facilities.

To understand also the performance of the other Dom Pedro properties, survey results from booking.com are used. The website requests customers to evaluate hotels they stayed in on a scale from 1-10 regarding six different items. This survey is not as detailed as the internal survey of Dom Pedro, but can give a very good overview of strengths and weaknesses as well. Regarding all properties, Dom Pedro ranks poorest in services, comfort and value for money ratio. This finding is especially critical taking into account that the hotel industry is a service industry. The table below shows customer survey results for all Dom Pedro properties (2012).

Cate-gory	**Hotel / Criteria**	Cleanli-ness	Comfort	Location	Services	Staff	Value for money	**Total Score**
5*	Dom Pedro Palace	9,0	8,9	8,1	8,4	8,8	8,3	**8,6**
	Dom Pedro Laguna	8,5	7,9	8,3	7,3	7,8	6,8	**7,8**
4*	Dom Pedro Golf Resort (Algarve)	7,9	7,4	8,7	7,4	8,0	7,6	**7,9**
	Dom Pedro Marina (Algarve)	8,3	7,8	9,5	7,7	8,5	7,8	**8,3**
	Dom Pedro Portobelo (Algarve)	7,5	7,3	9,1	7,0	7,4	7,9	**7,7**
	Dom Pedro Baia Club (Madeira)	8,4	7,8	9,0	8,0	8,2	8,4	**8,3**
	TOTAL 4*	**8,0**	**7,6**	**9,1**	**7,5**	**8,0**	**7,9**	**8,1**
3*	Dom Pedro Meia Praia Beach Club	7,2	6,4	8,7	6,6	7,4	7,5	**7,3**
	Dom Pedro Garajau (Madeira)	7,4	6,7	7,7	6,7	7,5	7,9	**7,3**
	TOTAL 3*	**7,3**	**6,6**	**8,2**	**6,7**	**7,5**	**7,7**	**7,3**
	TOTAL all categories	**8,2**	**7,7**	**8,4**	**7,5**	**8,0**	**7,7**	**7,9**

Source: Own depiction referring to booking.com (2012)

Appendix 7: Customer survey results for Dom Pedro Palace and competitors (2012)

Hotel / Criteria	Cleanli-ness	Comfort	Location	Services	Staff	Value for money	Total Score
Dom Pedro Palace	9,0	8,9	8,1	8,4	8,8	8,3	**8,6**
Sheraton Lisboa	9,0	9,0	8,0	8,3	8,3	7,6	**8,4**
Corinthia Hotel Lisbon	9,0	8,8	7,9	8,7	8,8	8,6	**8,6**
Tiara Park Atlantic Lisboa	9,3	9,3	8,5	8,9	9,0	8,7	**9,0**
Tivoli Lisboa	8,8	8,6	9,2	8,4	8,7	7,9	**8,6**
Hotel Altis	8,3	8,2	8,4	7,8	8,2	7,8	**8,1**
TOTAL Main Competitors 5* (Lisbon)	**8,9**	**8,8**	**8,4**	**8,4**	**8,6**	**8,1**	**8,5**

Source: Own depiction referring to booking.com (2012)

Appendix 8: Benchmarking Dom Pedro's activities with best practices in the industry

The performance of activities is closely related to a hotel's practices behind those activities. Since Dom Pedro shows room for improvement regarding service and quality, it is interesting to benchmark the firm's practices against the best practices of the industry. In the following, a benchmarking will be conducted in Human Resource Management, customer service quality, information technology and pricing strategy.

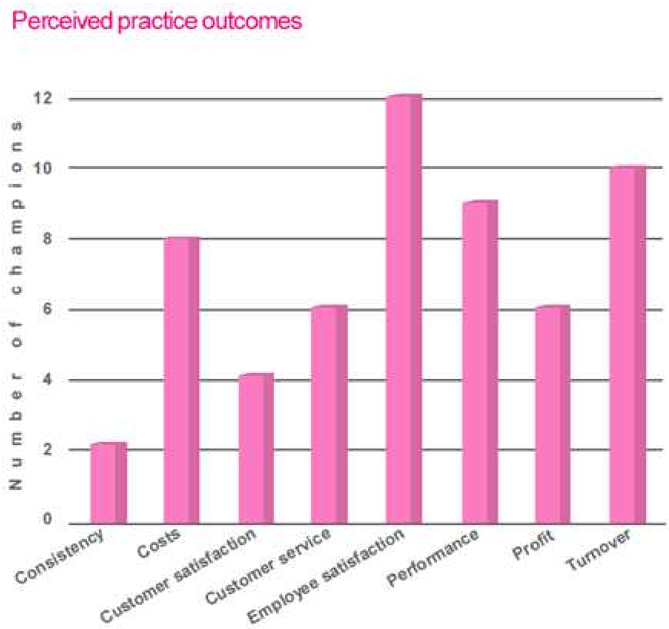
Human Resource Management The design of an integrated HR system is crucial for a hotel company to create customer value and profitability for the hotel owners. In the following, Dom Pedro's HR practices are benchmarked to exemplary practices of companies that were elected by peer organizations and managers for having succeeded to enhance their competitive advantage through their Human Resource Management. HR practices can be roughly categorized by (1) leadership development, (2) training and knowledge building, (3) employee empowerment, (4) employee recognition and (5) cost management (Enz and Siguaw, 2000).

Hotel Company	HRM Practices
Dom Pedro	(1) No leadership development program (2) Hardly consistent training and guidelines among properties (3) Dom Pedro states to rely on informal work structure allowing employees to take many decisions independently, but empowerment is not clearly organized (4) [No information provided by Dom Pedro Hotels] (5) [No information provided by Dom Pedro Hotels]
Marriott	(1) System-wide leadership development to identify potential leaders and assure that those talents develop needed skills and competencies; critical positions are given to those candidates as "stretch" assignments

Motel 6	(1) Three-step program making each employee eligible for eventual consideration as a general manager: 1. Cross-training of employees, 2. Manager-on-duty responsibilities, 3. General-manager assignment including training
Four Seasons/Coastal Hotel Group	(2) Buddy system in which skilled employees train newcomers in established hotels or in newly acquired properties; corporate managers determine training needs and provide employee trainers with requisite knowledge and skills from existing hotels
Four Seasons & Regent	(2) Creation of designated-trainer positions in each hotel department to address inconsistent communication and training of service standards: Trainer follow carefully structured program of teaching and coaching with the help of an online training program with more than 100 job-specific training manuals; regional training coordinators help with implementation in each hotel and local managers and employees can customize the training to local needs
Ritz Carlton Tysons Corner	(3) Implementation of a "guidance team": After a detailed examination of current practices in each department, the guidance team identified management tasks that could be transferred to hourly employees; development of mission statement that all employees signed; half of cost savings were allocated to employees; no one was fired but positions reassigned
Minneapolis – St.Paul Hilton	(3) Empowerment of line employees to take any decision involving more guest satisfaction without usual chain of command: Policy started with the front desk staff and was later adopted to all guest-contact areas
Accor North America	(4)General managers bonuses are tight to success on three measures: 1. Employee satisfaction (30%), 2. Customer satisfaction (30%) and 3. Profitability (40%); managers' performance appraisals used a 270-degree review process including evaluation by peers, subordinates and superiors
Motel Properties	(4) Employee-recognition program providing rewards from the initial interview throughout the employment contract: Program is sustained by continuous evaluation and modification of the rewards and by integrating recognition with the company's operations and culture
Inn at the Market	(4) Instead of hiring a full-time HR professional, the hotel contracted with a HR consulting service for US$1.000 per month
Sheraton Denver West	(5) The hotel installed a job-sharing arrangement for two sales managers to accommodate their need to work part-time: By that the hotel could get the energy and expertise of two managers for the price of one, while the two were in continual contact

Source: Referring to Enz and Siguaw (2000)

It is crucial for Dom Pedro Hotels to professionalize its HR practices since those can have significant positive outcomes and create competitive advantages. The graph below depicts the perceived practice outcomes by 23 firms that were elected for their superior HR Management. It is demonstrated that employees are the ones gaining most (52% of the cases), followed by turnover reduction (44%), increase in performance (39%), cost reduction (35%) and increased productivity and customer service (each 35%) (Enz and Siguaw, 2000).



Source: Enz and Siguaw (2000)

Customer Service Quality Hotels are service companies and customer satisfaction is closely linked to the service quality provided by a hotel. An outstanding customer service quality is therefore a source of revenue and competitive advantage. In the following, Dom Pedro's service practices will be benchmarked with best practices in the industry which are classified by four categories: (1) Creating a service culture, (2) Building an empowered service-delivery system, (3) Facilitating a "customer listening" orientation and (4) Developing responsive service guarantees (Enz and Siguaw, 2000).

Hotel Company	Service Quality Practices
Dom Pedro	(1) Dom Pedro declares to have service guidelines which are the same throughout all properties and imply that employees should always provide

	the best service possible (2) No organized empowered service-delivery system (3) Simple customer satisfaction survey in rooms with only monthly evaluation (4) No organized responsive service system
Boulders	(1) The hotel follows the vision “Seek opportunities to create memories”: To fulfill the vision and deliver excellent customer service, ten cornerstones were created which apply to both customers and employees; “cornerstone coaches” are elected and “cornerstone training” deployed
Ritz Carlton	(1) The hotel follows the credo “Ladies and Gentlemen serving Ladies and Gentlemen”: Based on this philosophy the right people are selected who share the firm’s values, determined by empirically scored structured interviews and face-to-face communications with managers
Ritz Carlton	(2) The hotel empowers employees to spend up to US$2.000 to solve a guest problem if need be
Windsor Court Hotel	(2) The hotel combines guest recognition with employee empowerment: All repeat guests are greeted at arrival and departure by either the managing director or a guest-relations manager and are given small gifts depending on their visiting frequency; moreover recommendations for improvement are requested from each guest before check-out. Employees are empowered to respond directly to any guest complaint and complaints are recorded for monthly evaluation
Waldorf Astoria	(3) The hotel administers a 30 second “quality quiz” to guests at every service contact point: A coding scheme tracks the results and indicates any actions needed to improve operations; monthly summaries are provided to employees using a clear red (below expected performance), yellow (progress, but still work to do) and green (good) zone system
Doubletree Club Hotel	(3) Establishment of CARE committees (both guest relations and employee relations) to involve employees at all levels of hotel operation in ensuring excellent guest service; each department has a representative in the committee
Promus Hotels	(4) At any Promus Hotel the guest’s stay is free if the guest is not completely satisfied for any reason: The hotel does not question the validity of any guest complaint and employees are trained and empowered to immediately correct any problem the guest is experiencing
Carlson Hospitality	(4) Employees are empowered to take all necessary steps to satisfy a guest (including refunds) if the guest perceives the problem as serious and fault of the hotel and the hotel is unable to solve the problem as well as cannot satisfy the customer in any other way; moreover just employees who attended a special training program teaching how to find appropriate solutions can decide about the policy

Source: Referring to Enz and Siguaw (2000)

Information Technology An elaborate IT system can significantly accelerate and facilitate a hotel's internal and external operation as well as enhance customer service and increase customer experience. Hereinafter best industry practices are presented in terms of two categories: (1) Improving operations efficiency and (2) Improving guest service (Enz and Siguawand, 2000).

Hotel Company	Information Technology Practices
Dom Pedro	(1) Only centralized reservation system (2)Paper-based customer feedback surveys in rooms which have to be inserted into a software and are only analyzed monthly
Barbizon Hotel/Empire Hotel New York	(1)Development of customer request and complaint software "HotelExpert" that allows employees to activate calls from anywhere in the hotel while system automatically assigns tasks to responsible employees; software moreover tracks those events and provides on-screen reports and graphs
Cendant Corporation	(1)Development of computerized system to integrate all hotel MIS (Management Information System) functions into one system, so that all hotels can use the information in the database: Activities of property management, inventory management, central reservations, workforce assignment, room-maintenance management, online communications and direct marketing are integrated into one system
Kimpton Group Hotels	(1)Establishment of private-label reservation system with cross-selling capability to increase occupancy and rates: The system provides different quotes for specific dates and provides online incentives for reservation agents to encourage upselling the customer
Balsams Grand Resort Hotel	(2) Development of elaborate CRM system. Collection of data on every guest and on every individual that has made an inquiry: dates of visits, room type and number (and any special requests for room layout), paid rate, the guest's housekeeper and server team, the guest's preferences regarding dining rooms, food and beverage selections, special activities etc.; the system is fully integrated into the hotel's operations
IMPAC Hotel Group	(2) Development of fast-response customer feedback system instead of in-room guest survey cards with long response times: kiosk containing a touch-screen monitor in the lobby of each hotel property

Source: Referring to Enz and Siguaw (2000)

RevPAR increase through pricing premiums The occupancy rate of rooms and the related ADR are Dom Pedro's main source of revenue, measured by the RevPAR. Achieving price premiums over competitor rates can therefore lead to a significant increase in profit. Following, Dom Pedro's practices are benchmarked with best practices of the industry.

Hotel Company	Pricing Practices
Dom Pedro	Dom Pedro uses simple pricing practices by setting its prices daily according to a dynamic price scheme dependent on the occupancy of its hotels and rates of competitors
Embassy Suites	The chain's objective is to deliver a 20-point yield premium through highly satisfied guests and an intelligent pricing strategy. The pricing structure of the hotel is simple to understand and execute: Rooms are offered at one of five rates and those prices are consistent across distribution channels. To assist salespeople and managers the company has developed proprietary software to support pricing decisions. The software models the competitive environment to take a 90-day forward look, assessing demand and the hotel's projected business mix to determine the hotel's optimal pricing strategy. The software can also provide a rate-occupancy rate trade-off analysis so that a manager can see the effect on rooms revenue and profit from any change in rate or occupancy strategies (e.g. closing a rate category)

Source: Referring to Enz and Siguaw (2000)

Appendix 9: Five Forces Analysis of the Portuguese hotel industry

The Portuguese hotel industry is mainly driven by three forces. First, the ***competition between existing firms*** is very intense which is strongly reinforced by the globalization. Firms in Portugal compete on the base of location, price and star category while the quality of three- and four-star hotels is regarded as being specifically strong in Portugal. Hotels compete therefore also with neighboring categories. Second, hotels are highly dependent on their ***suppliers***, meaning tour operators and travel agencies bringing customers to their properties as depicted in the industry map in Appendix 3. However, this power depends largely on the hotel size and decreases the more the bigger a hotel chain is. Further suppliers as design companies, furniture and room equipment vendors or food services and technology suppliers however are numerous and the power is here rather with the hotels. Third, profitability is influenced by the bargaining power of ***customers***. Customer power has dramatically increased through the internet as an almost transparent tool of information access and comparing or evaluating offers. Being a service industry, hotels are extremely dependent on attracting clients by providing a better offer than the competition and ensure their satisfaction, in order to maintain them as future customers and avoid bad press. The last two forces are comparably week: The threat of ***substitute products*** for hotels is rather weak but represents a very dynamic force and might increase in importance in the future. The innovation of potential substitutes addressing target groups especially for the younger clientele might affect the future strength of this force and it will become important not to lose ground in the fight for customers. The Dom Pedro management e.g. already regards high-class hostels as a rising force in the struggle for the younger[12]. Thus, the importance to go with trends and to innovate has to be considered in order not to have a future disadvantage. The threat of ***new entrants*** is a middle-strong force. Entering a new market requires distinct market knowledge and long-term planning. Depending on the market entry mode it is more or less capital intensive: Constructing a hotel from scratch is very capital intensive, while availability of appropriate real estate for acquisition or contracting is limited and hence represents an entry barrier. However, especially in fast growing markets where demand exceeds supply incumbents face a high threat of new entrants. As learned in the interview with Dom Pedro Hotels, around 20 new hotels will be opened alone in the city of Lisbon in 2013[1].

Appendix 10: Top Ten nationalities of customers in Dom Pedro Palace (2011)

TOP TEN NATIONALITIES		
COUNTRY (MARKET)	**YEAR TO DATE (R.N.)**	**%**
BRASIL	14.409	20,52%
ESPANHA	9.445	13,45%
PORTUGAL	8.646	12,31%
FRANCA	5.004	7,12%
REINO UNIDO	4.142	5,90%
E.U.AMERICA	3.136	4,47%
ITALIA	3.058	4,35%
RUSSIA	2.971	4,23%
ALEMANHA	2.700	3,84%
JAPAO	1.531	2,18%
OUTROS	15.191	21,63%
TOTAL	**70.233**	**100%**

Source: Dom Pedro (2011)

[12] Information from interview with Dom Pedro Hotels

Appendix 11: Customer survey results of Dom Pedro Laguna and competitors (2012)

Hotel / Criteria	Cleanli-ness	Comfort	Location	Services	Staff	Value for money	Total Score
Dom Pedro Laguna	8,5	7,9	8,3	7,3	7,8	6,8	**7,8**
Tivoli Eco Resort (Bahia)	8,8	8,9	9,3	8,7	8,8	6,9	**8,5**
Ritz Lagoa da Anta (Alagoas)	7,9	7,6	7,3	6,7	6,8	6,5	**7,1**
Pestana Natal Beach Resort (RN)	7,7	7,7	8,3	7,5	8,2	6,6	**7,7**
Sofitel Jequitimar (Sao Paulo)	9,0	9,2	8,8	8,6	8,5	7,3	**8,6**
TOTAL Competition 5* resorts (chains in Brazil)	**8,4**	**8,4**	**8,4**	**7,9**	**8,1**	**6,8**	**8,0**

Source: Own depiction referring to booking.com (2012)

Appendix 12: Ease of doing business in Brazil by state (2006)

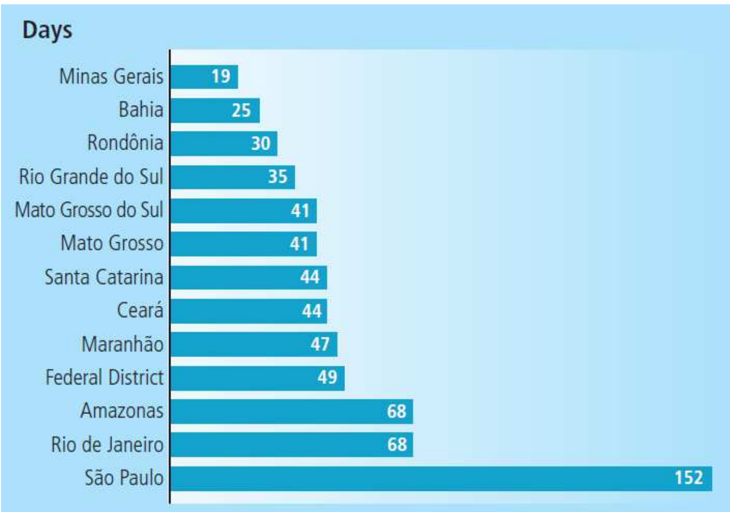
Appendix 12 a: Average ease of doing business in Brazil by state (2006)

Doing business in Brazil: where is it easiest?

1	Federal District (Easiest)	8	Rio de Janeiro
2	Amazonas	9	Santa Catarina
3	Minas Gerais	10	Bahia
4	Rondônia	11	São Paulo
5	Maranhão	12	Mato Grosso
6	Rio Grande do Sul	13	Ceará (Most difficult)
7	Mato Grosso do Sul		

Source: The World Bank (2006)

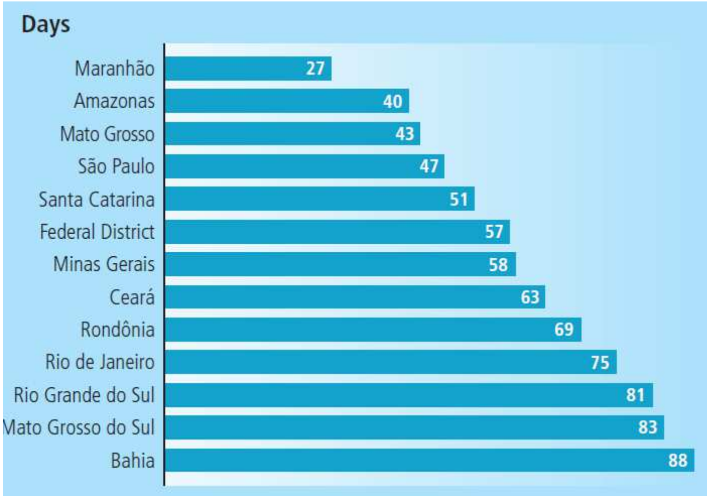
Appendix 12 b: Ease of starting a business in Brazil by state (2006)



Source: The World Bank (2006)

The ease of starting a business refers to the length of the process a state requires to formally register a new business. Steps within the process comprise the obtainment all necessary permits and licenses and the completion of all inscriptions, verifications and notifications with the authorities – local, state and government – to enable the company to start operations (The World Bank, 2006).

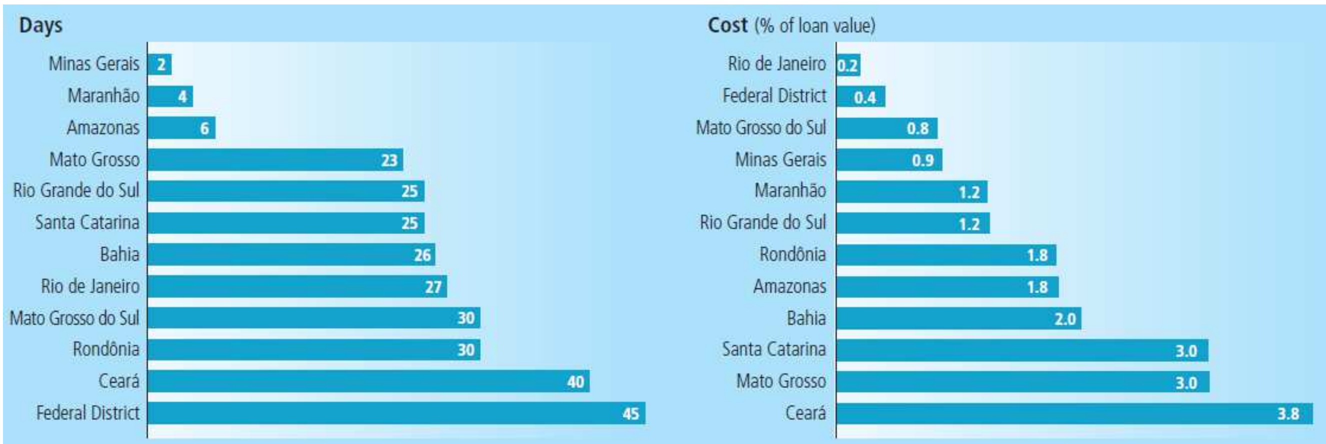
Appendix 12 c: Time to register property in Brazil by state (2006)



Source: The World Bank (2006)

The Brazilian legislation requires nationwide the same 14 procedures for registering properties while the time needed to for the process varies among the states (The World Bank, 2006).

Appendix 12 d: Time and cost to access credit in Brazil by state (2006)



Source: The World Bank (2006)

A credit agreement has to be registered with the Registry of Deeds and Documents in the city where the debtor lives. Each municipality has one or more registries, often even privately operated by Public Notaries, while these registries are not linked across regions. Most registries are still paper-based and credit agreements are manually transcribed, hindering the clear establishment of properties among creditors and creating delays. Moreover, the taxes, official duties and notary fees to register a security depend on the location as well. The absence of legal rights of borrowers and creditors imposes another set of risks (The World Bank, 2006).

Appendix 12 e: Ease of paying taxes in Brazil by state (2006)

Where is it easiest to pay taxes—and where not?

1	Bahia (Easiest)	8	Federal District
2	Rondônia	9	Rio Grande do Sul
3	Mato Grosso do Sul	10	Rio de Janeiro
4	Amazonas	11	Mato Grosso
4	Maranhão	12	São Paulo
6	Ceará	13	Minas Gerais (Most difficult)
7	Santa Catarina		

Source: The World Bank (2006)

The measure is not only related to the amount of taxes to pay in a state but ease of the process they are collected. Rankings are the averages of the state rankings on the total tax payable (as % of gross profit) and the number of tax payments. Taxes are measured at all levels of government and include income tax, social security contributions paid by the company, turnover taxes, VAT, property taxes, property transfer taxes, dividend tax, capital gains tax, financial transaction tax and vehicle tax (The World Bank, 2006).

Appendix 12 f: Ease of enforcing contracts in Brazil by state (2006)

Source: The World Bank (2006)

The efficiency of contract enforcements by the courts is tracked based on three indicators: the complexity of the procedures, the time and the cost to enforce a contract. Cost is comprised of court expenses and attorney fees. The duration indicator measures the time necessary to file a case, obtain a ruling from the judge and execute the decision (The World Bank, 2006).

Appendix 13: International and national hotel chains in South Brazil (2012)

International Hotel Chains		National Hotel Chains	
Company	**Number of hotels**	**Company**	**Number of hotels**
Accor	18	Hotéis Slaviero	14
Atlantica	8	Harbor	10
Golden Tulip	5	Master Hotéis	9
Intercontinental	2	Blue Tree	7
Starwood	1	Bourbon	6
Pestana	1	San Juan	6
Carlson Rezidor	1	Rede Plaza	5
		Deville	4
		Swan	4
		Nacional Inn	2
		GJP	2

Source: Own depiction referring to Booking.com (2012)

Appendix 14: KPIs of Hotel Industry in Brazil (2011)

	Taxa de Ocupação	Variação*	Diária Média	Variação*	RevPAR	Variação*
Julho	69,93%	2,0%	R$ 201,77	16,9%	R$ 141,10	19,3%
Agosto	73,29%	1,4%	R$ 210,07	6,6%	R$ 153,95	8,1%
Setembro	72,22%	-0,7%	R$ 209,83	16,6%	R$ 151,54	15,8%
Outubro	70,48%	0,0%	R$ 216,47	22,0%	R$ 152,57	22,0%
Novembro	74,08%	-3,0%	R$ 228,41	17,3%	R$ 169,22	13,8%
Dezembro	58,07%	-3,6%	R$ 219,17	17,9%	R$ 127,28	13,7%
Média	69,64%	-0,6%	R$ 214,18	15,9%	R$ 149,15	15,3%
Ano	69,01%	2,6%	R$ 207,81	15,4%	R$ 143,42	18,5%

*variações calculadas com base no mesmo período de 2010

Appendix 15: KPIs of Hotel Industry in South Brazil (2011)

2011	JULHO	AGOSTO	SETEMBRO	OUTUBRO	NOVEMBRO	DEZEMBRO	MÉDIA 2º Semestre	ANO
TX DE OCUPAÇÃO	69,21% ○ 0,0%	67,70% ▼ -3,3%	72,16% ▲ 5,0%	68,98% ▼ -0,2%	73,31% ▼ -1,1%	61,62% ▼ -3,0%	68,79% ▼ -0,4%	67,89% ▲ 4,3%
DIÁRIA MÉDIA	R$ 168,06 ▲ 18,7%	R$ 171,80 ▲ 10,5%	R$ 175,59 ▲ 20,1%	R$ 176,22 ▲ 23,2%	R$ 187,79 ▲ 22,1%	R$ 176,24 ▲ 15,9%	R$ 176,01 ▲ 18,3%	R$ 168,26 ▲ 16,6%
REVPAR	R$ 116,32 ▲ 18,7%	R$ 116,30 ▲ 6,8%	R$ 126,70 ▲ 26,1%	R$ 121,56 ▲ 22,9%	R$ 137,66 ▲ 20,7%	R$ 108,60 ▲ 12,4%	R$ 121,07 ▲ 17,8%	R$ 114,24 ▲ 21,6%

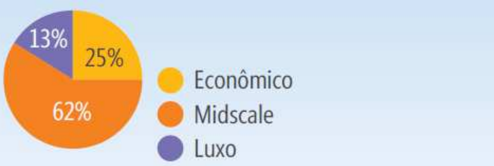
Appendix 15 a: Share of Hotel Category and KPIs in Curitiba (2011)

Média	1º Semestre	2º Semestre
Taxa de Ocupação:	69,31%	71,04%
Diária Média:	R$160,65	R$181,42
REVPAR:	R$111,35	R$128,89

Appendix 15 b: Share of Hotel Category and KPIs in Florianópolis (2011)

Média	1º Semestre	2º Semestre
Taxa de Ocupação:	64,56%	67,55%
Diária Média:	R$164,97	R$172,73
REVPAR:	R$106,50	R$116,67

Appendix 15 c: Share of Hotel Category and KPIs in Porto Alegre (2011)



Média	1º Semestre	2º Semestre
Taxa de Ocupação:	66,84%	73,19%
Diária Média:	R$203,14	R$221,52
REVPAR:	R$135,79	R$162,14

Source: FOHB (2011)

Appendix 16: Airport Profiles South Brazil (own depiction)

Airport	Passengers (2011)					Location	Direct Connections	
	National	Interna-tional	Total	Share of international passengers	Share of all Brazilian airports	Distance from downtown	Europe	United States
Curitiba	6.864.260	105.224	6.969.484	1,51%	3,87%	18 km	No	No
Florianópolis	2.900.472	221.563	3.122.035	7,10%	1,73%	14 km	No	No
Porto Alegre	7.267.712	566.600	7.834.312	7,23%	4,35%	7 km	via Lisbon	No

Source: Infraero (2011)

Appendix 17: Hotels by category in the three capitals of South Brazil (2012)

Category		Curitiba		Florianópolis		Porto Alegre	
5 stars *****		7	9.1%	3	4.4%	2	3.3%
4 stars ****		28	36.4%	28	41.2%	22	36.7%
3 stars ***		37	48.1%	29	42.6%	25	41.7%
2 stars **		5	6.5%	8	11.8%	11	18.3%
TOTAL		**77**	**100%**	**68**	**100%**	**60**	**100%**

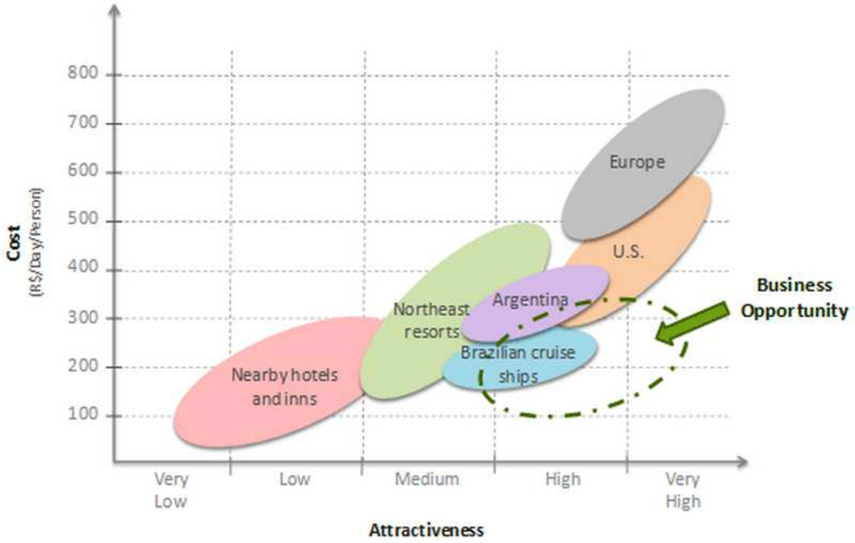
Source: Own depiction referring to Booking.com (2012)

Appendix 18: Numbers of international and national hotel chains in the three capitals of South Brazil (2012)

		Number of hotels			
International Hotel Chain		**Curitiba**	**Florianópolis**	**Porto Alegre**	**TOTAL**
Accor		5	3	5	**13**
Atlantica		4	-	2	**6**
Golden Tulip		2	-	1	**3**
Starwood		-	-	1	**1**
Pestana		1	-	-	**1**
Intercontinental		1	-	1	**2**
Carlson Rezidor		1	-	-	**1**
National Hotel Chain		**Curitiba**	**Florianópolis**	**Porto Alegre**	
Hotéis Slaviero		7	1	-	**8**
Harbor		-	-	-	**-**
Master Hotéis		-	-	8	**8**
Blue Tree		-	1	2	**3**
Bourbon		2	-	-	**2**
San Juan		3	-	-	**3**
Rede Plaza		-	-	2	**2**
Deville		2	-	-	**2**
Swan		-	-	2	**2**
Nacional Inn		2	-	-	**2**
GJP		-	-	-	**-**
Independent Hotels		47	63	36	**146**
TOTAL		**77**	**68**	**60**	**205**

Source: Own depiction referring to Booking.com (2012)

Appendix 19: Cost-Attractiveness-Matrix of Brazilian Leisure Tourism Market (2009)



Source: Canteras (2009)

Appendix 20: Resort hotels in Brazil per region and category (2012)

Region	Category	Hotel/Resort	State	Total
Northeast	5-star	Jatiúca Hotéis & Resorts	Alagoas	14
		Ritz Lagoa da Anta Urban Resort	Alagoas	
		Salinas do Maragogi All Inclusive Resort	Alagoas	
		Arraial D'ajuda Eco Resort	Bahia	
		Catussaba Resort Hotel	Bahia	
		Grand Palladium Imabassi Resort & Spa	Bahia	
		Hotel Transamérica Ilha de Comandatuba	Bahia	
		Tivoli Ecoresort Praia do Forte	Bahia	
		Dom Pedro Laguna Beach Villas & Golf Resort	Ceará	
		Nannai Beach Resort	Pernambuco	
		Summerville Beach Resort	Pernambuco	
		Ocean Palace Beach Resort & Bungalows	Rio Grande do Norte	
		Pestana Natal Beach Resort	Rio Grande do Norte	
		Serhs Natal Grand Hotel	Rio Grande do Norte	
	4-star	Cana Brava Resort Hotel	Bahia	2
		Oceani Resort	Ceará	
	Mixed	Costa do Saúpe (6 hotels)	Bahia	8 (in 2 resorts)
		Beach Park (2 hotels)	Ceará	
Southeast	5-star	Portobello Resort & Safari	Rio de Janeiro	3
		Casa Grande Hotel Resort & Spa	Sao Paulo	
		Sofitel Jequitimar	Sao Paulo	
	4-star	Meliá Angra Marina & Convention Resort	Rio de Janeiro	1
South	5-star	Costão do Santinho Resort & Spa	Santa Catarina	4
		Il Campanário Villago Resort	Santa Catarina	
		Infinity Blue Hotel Ltda	Santa Catarina	
		Plaza Itapema Resort e Spa	Santa Catarina	

Source: Own depiction referring to resortsbrasil.com (2012) and booking.com (2012)

Appendix 21: Budget Plan Dummy for Market Entry in Porto Alegre

Initial Expenses	
Real Estate Expenses	
Broker fee	- €
Property	- €
Renovation work	- €
Other	- €
Total Real Estate Expenses	- €
Capital Equipment	
Furniture	- €
Technical equipment	- €
Electric installations	- €
Design and decoration	- €
Other	- €
Total Capital Equipment	- €
Administrative Expenses	
Market research	- €
Travel expenses	- €
Registration fees	- €
Recruitment expenses	- €
Pre-opening salaries	- €
Service-related training	- €
English language courses	- €
Insurance	- €
Other	- €
Total Administrative Expenses	- €
Promotional Expenses	
Partner promotions	- €
Road Shows	- €
Advertising	- €
Corporate promotions	- €
SEM	- €
Sponsorships	- €
Opening event	- €
Other	- €
Total Promotional Expenses	- €
Total Initial Expenses	- €

Source: Own depiction based on primary and secondary research

Appendix 22: Time Schedule for Market Entry in Porto Alegre (detailed)

Phase	Activities / Time		2013		2014		2015	
			1	2	1	2	1	2
Assessment Phase	Market research	Demand forecasting & customer needs analysis						
		Competitor profiling						
		Identification of appropriate site & partner and decision about entry mode						
Pre-Opening	Contracting	Closing of contract						
	Mandatory initial registrations & permits	Chamber of Commerce RS, tax declarations, business license, social security, Ministry of Tourism (EMBRATUR), other municipal authorities						
	Renovation work	Renovations and reconstructions						
	Human Resource Management	Job analysis (Type and amount of labor)						
		Recruitment of Brazilian workforce						
		Allocation of Portuguese expatriates						
		Training of Dom Pedro service standards						
		English language course						
	Hotel equipment and installations	Furniture, design and decoration, technology, electricity, safety standards						
	Distribution Channel & Partnership Development	One-to-one presentations at existing partners (TOs, LTAs, TAP) in Brazil and customer origin countries						
		Approach of LTAs in South Brazil						
Opening		Road Show in Sao Paulo						
		Road Show in Porto Alegre						
		Organization of Fam Trip for TAP Airlines						
	Promotions	Corporate promotions: one-to-one, direct mailings, offer of opening promotion						
		Consumer promotions: advertising (magazines, local newspapers, online banner), SEM						
		PR in local and national press						
		Sponsorship of local and regional lifestyle events						
		Opening event at new hotel						
Control	Performance Tracking	Tracking on base of financial, customer, internal on learning objectives and gap analysis						
	Implementation of improvements	Filling of performance gaps						

Source: Own depiction based on primary and secondary research

Appendix 23: Template for performance measurement

Theme	Objectives	Measurement	Targets	Initiatives
Financial	Maximization of occupancy	Occupancy rate	Maximization of occupancy rate	Attractive packages for extended stays; adjustment of offer during low season
	Increase of profitability	RevPAR	Maximization of RevPAR	Price discrimination through more elaborate pricing software
Customer	Increase of brand and hotel awareness	Level of brand/hotel recall and recognition (via quantitative phone and E-Mail surveys)	Constant increase of brand and hotel recall and recognition in customer mindset	Brand management through B2C and B2B campaigns; direct mai-lings to companies and customers from other Dom Pedro hotels
	Attraction of new customers	Weekly/monthly number of new customers (tracked by CRM software)	Constant attraction of new private and corporate customers	Direct mailings to companies and customers from other Dom Pedro hotels; discounts for first stay/ packages/breakfast/spa etc.
	Increase of customer satisfaction	CRM software acquiring complaint data and customer survey results	Always satisfying each single customer; Steady increase of ranking on booking platforms like booking.com;	Increase of service and facility quality: Establishment of techno-logical background to measure satisfaction more frequently and respond to complaints and other issues immediately
	Increase of customer loyalty	Share of repeated visits/repeat (tracked by CRM software)	Increase of customer retention rate	Direct mailings; Rewarding repeat guests with personal welcoming and/or small presents
Internal Processes	Integrated leadership development program	Share of internally occupied management positions	Increased nomination of internal candidates for management positions	Corporation-wide talent management incl. and 360° review; management training for high potentials
	Professionalization and standardization of recruiting process	Quality of staff; turnover rate; employee satisfaction	Minimization of turnover and maximization of employee satisfaction	Elaboration of highly diagnostic standardized interviews and trial work examples with strong emphasize on cultural fit
	Standardization of training procedures	Error rate; employee satisfaction	Faster and better training of new staff	Training handbook and online platform; creation of trainer positions; cross-staffing
	Automation of processes through IT	Inventory level; response time to problems; costs savings per department	Minimization of inventory and response time; Drive down of costs in all departments	Elaboration of sophisticated MIS and CRM software
Learning	Establishment of corporate service culture	Customer satisfaction on service quality	100% employee compliance with service philosophy	Formulation of corporate vision and mission; handbook with values; workshops
	Empowerment of employees	Number of customer complaints	Minimization of dissatisfied customers	Establishment of fear-free corporate culture (100% error tolerance); training for dealing with customer complaints

Source: Own depiction based on primary and secondary research (2012)